



COMPANY REPORT

*Who we are.*

2019

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KINEPOLIS GROUP



PART I

# COMPANY REPORT

*Who we are.*

2019

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KINEPOLIS GROUP

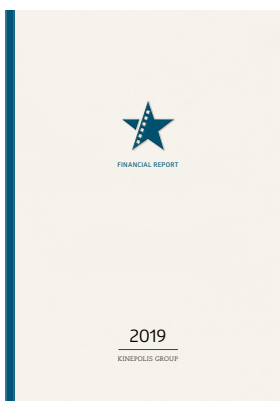
This Company Report is part of the Kinepolis Group Annual Report 2019, which consists of three parts:



**PART I**  
COMPANY REPORT



**PART II**  
SUSTAINABILITY REPORT



**PART III**  
FINANCIAL REPORT

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# PART I

## COMPANY REPORT

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# Kinepolis Group in 2019



**4 600**

EMPLOYEES

**+100**

NEW JOBS  
UPON THE OPENING  
OF NEW CINEMAS



**+750**

NEW COLLEAGUES  
THROUGH ACQUISITIONS

**111**  
CINEMA  
COMPLEXES IN



**9**  
COUNTRIES



**40.3 MILLION**

VISITORS IN 2019  
WORLDWIDE

**27.3 MILLION**  
VISITORS IN  
EUROPE

**13 MILLION**  
VISITORS IN  
NORTH  
AMERICA

*Entrepreneur of  
the year 2019*



TURNOVER IN 2019

**€ 551.5  
MILLION**

## WORD FROM THE CHAIRMAN AND THE CEO

# Joost Bert, Chairman of the Board of Directors and Eddy Duquenne, CEO of Kinopolis Group

Ladies and gentlemen,  
Dear shareholder, customer and employee,

The recent developments regarding the worldwide spread of the Corona virus and its major impact on our society and business have created mixed feelings in the preparation of this annual report. A great year in 2019 has already been overshadowed at the start of 2020 by concerns about what has become the biggest challenge of the 21st century so far. It's impossible to predict what 2020 will bring, but, as Kinopolis, we are taking all measures that are necessary to overcome this crisis and we are confident that we will emerge from it stronger as a company.

The situation today makes us look back gratefully and with pride on the past year. Because 2019 was an excellent year for Kinopolis, thanks to the further implementation of our business strategy, both in existing and new markets, the further implementation of our expansion strategy and favourable market conditions in Europe. Above all in the second half of the year, the public found their way to our cinemas en masse thanks to a very successful range of international films, with blockbusters such as 'The Lion King', 'Avengers: Endgame', 'Frozen II', 'Joker' and 'Star Wars: The Rise of Skywalker'.

We received 40.3 million visitors in 2019, an increase of 13.3% compared to the previous year. This led to a revenue increase of 15.9%, to € 551.5 million, and an EBITDA increase – excluding the impact of IFRS 16 – of 23.8%, to € 145.0 million. Net profit increased by 14.7%, to € 54.4 million. Both revenue and EBITDA per visitor – again excluding the impact of IFRS 16 – increased further, thanks to the success of premium cinema experiences and the continued commitment to operational efficiency.

In view of the recent developments regarding the COVID-19 epidemic and its unpredictable impact on the Group's results, however, the Board of Directors will propose to the General Meeting of 13 May 2020 that a dividend should not be paid for the 2019 financial year.

Every year, we systematically look for potential for improvement and new sources of income, whereby the experience of the customer is central, while the well-being of our employees is also monitored. The model that we have developed for this is based on a bottom-up approach, through which we aim to give responsibility for a sub-aspect of the business to as many employees as possible, and to actively involve them in improvement plans and innovation. This approach has provided solid results over thirteen consecutive years, even when market conditions were less favourable. And it is also the basis for the improvement potential that we aim for through acquisitions.

In 2019, we again took important steps in the implementation of our expansion strategy. Strengthened by the successful introduction of our business strategy and some Kinopolis concepts into the Canadian market, we saw an opportunity to expand our activities in North America with the acquisition of MJR Digital Cinemas in the USA. We now have 10 cinema complexes (164 screens) in Michigan and have welcomed many new colleagues.

We also strengthened our position in Europe last year with the acquisition of El Punt in Spain and Arcaplex in the Netherlands, and we opened new cinemas in France (Servon) and Canada (Regina and Calgary Market Mall).





The title ‘Entrepreneur of the Year 2019’ is a fantastic recognition for the entire team, and it motivates us to continue working with the same passion and energy every day, serving our customers.



In the meantime, our track record is also being noticed outside our sector. In our home market in Belgium, we became ‘Entrepreneur of the Year 2019’, an award which we received from His Majesty the King of Belgium. The jury unanimously chose Kinopolis as the winner, based on our growth and financial results, entrepreneurship, internationalisation, innovation and corporate governance.

We are continuing to invest in cinema concepts that take the customer experience to a higher level and that will help ensure our continued success in the longer term. In 2019, for example, we focused on the replacement of our 3D equipment, a further roll-out of laser projectors, including Laser ULTRA, the opening of various 4D and ScreenX theatres, and the further roll-out of Cosy Seats in Europe and recliner seats in Canada.

Offering these ‘premium’ experiences goes hand in hand with a further diversification of our content offering. Multicultural films, concerts, opera, art, sports and live events have acquired a permanent place in our product range, in addition to the regular programming. It can be seen as a menu for a night out, a menu in which everyone finds something to his or her taste. To familiarise our customers with the extensive range, we also launched a new marketing initiative, the Kinopolis ‘Discovery Day’, in which, through a free trailer show including animation, we inform our customers about the upcoming film offering twice a year. The first European edition was already a success.

To support our rapid growth, we continue to invest in our systems and human capital. The capacity of our teams is an equally important factor in determining our pace of growth as our financial strength. After all, the ‘ultimate movie experience’ starts and ends with the people who give it substance every day, in front of and behind the scenes. An inspiring working environment, where creativity and innovation is encouraged, remains one of our absolute priorities.

A high-quality film offering and a premium cinema experience, in combination with further expansion and a talented and motivated team: this will continue to be our recipe for success for the coming years. And it's that strength that will enable us to go back to work with our full force in 2020 once the threat of the COVID-19 virus has passed. After all, the health of our customers and employees remains our top priority.

Kinopolis would not be able to achieve its ambitious goals without the commitment and trust of its employees, movie lovers, partners, investors and other stakeholders. We are grateful to each of them, and make every effort to earn that trust every day.

We look forward to soon be able to welcome you back at our theatres, fit and well.

Eddy Duquenne  
CEO of Kinopolis Group

Joost Bert  
Chairman of the Board of Directors

# 2019 at a glance

2019

## JANUARY 2019

Agreement with RealD 3D for 3D equipment



## APRIL 2019

Opening of the first Laser ULTRA theatre in Canada (Shawnessy)



DEC

JAN

FEB

MAR

APR

MAY

JUN

## ▶▶ THROUGHOUT 2019

Opening of various Laser ULTRA theatres in the Netherlands, Belgium, Luxembourg, France and Canada



## ▶▶ THROUGHOUT 2019

Opening of various 4D theatres in Belgium, Luxembourg, France and the Netherlands



## MARCH 2019

Acquisition of the Spanish cinema group El Punt



## JUNE 2019

Inauguration of Kinopolis Rouen (FR) after renovation



## MAY 2019

Opening of MarketPlace Whitby (CA)



**SEPTEMBER 2019**

Opening of Kinepolis Servon (FR)



**SEPTEMBER 2019**

Opening of the first Kinepolis ScreenX theatre in Madrid (ES)



**SEPTEMBER 2019**

Reopening of Kinepolis Zoetermeer (NL) after renovation

**SEPTEMBER 2019**

Introduction of Cosy Seats ('Premiere Seating') in Cranbrook (CA)

**NOVEMBER 2019**

Acquisition of the Arcaplex cinema in Spijkenisse (NL)



**NOVEMBER 2019**

Inauguration of Kinepolis Kirchberg (LU) after a thorough renovation



**JUL**

**JULY 2019**

Private placement of bonds totalling €225 million

**AUG**

**SEP**

**OCT**

**NOV**

**DEC**

**JAN**

**OCTOBER 2019**

Launch of Discovery Day in all European Kinepolis cinemas



**OCTOBER 2019**

Opening of the ScreenX and 4D theatres in Kinepolis Utrecht Jaarbeurs

**OCTOBER 2019**

Opening of the Landmark cinema in Regina (CA)



**OCTOBER 2019**

Acquisition of MJR Digital Cinemas (USA)



**DECEMBER 2019**

Opening of a ScreenX theatre in Kinepolis Lomme (FR)



**DECEMBER 2019**

Opening IMAX Antwerp (BE)



**DECEMBER 2019**

Opening of MarketPlace Shawnessy (CA)

**DECEMBER 2019**

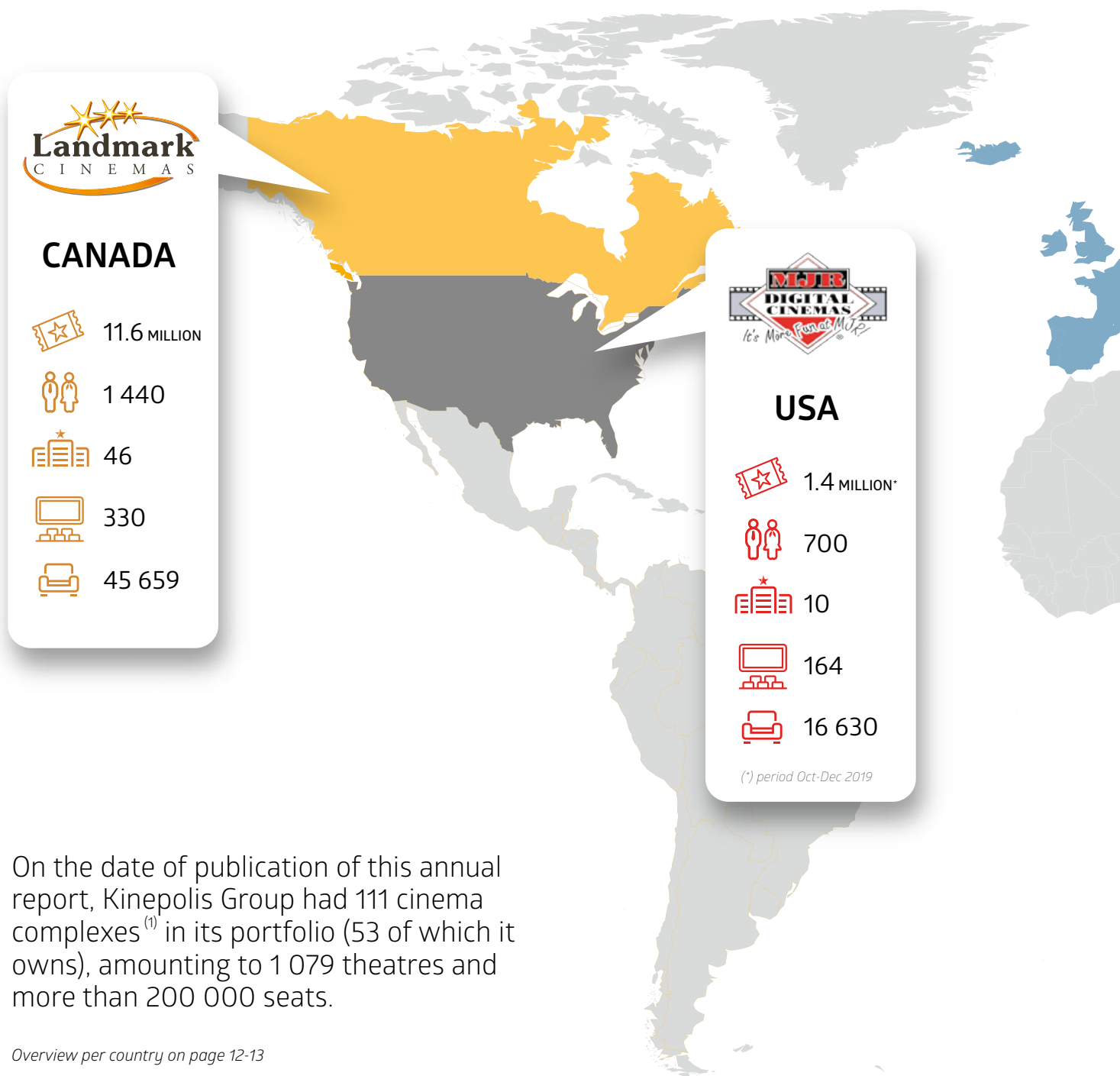
Opening of the Landmark cinema in Calgary Market Mall (CA)

**OCTOBER 2019**

Kinepolis proclaimed 'Entrepreneur of the Year 2019' in Belgium



# Kinepolis worldwide



On the date of publication of this annual report, Kinepolis Group had 111 cinema complexes<sup>(1)</sup> in its portfolio (53 of which it owns), amounting to 1 079 theatres and more than 200 000 seats.

Overview per country on page 12-13

 **9**  
COUNTRIES


 **40.3 MILLION**  
VISITORS


 **4 600**  
EMPLOYEES

(1) Belonging to the real estate portfolio on the date of publication, regardless of whether used for cinema activities or not. Including one complex operated by Cineworld (Poznań, PL), of which the number of theatres and seats is not included in the total numbers.



## EUROPE

 27.3 MILLION

 2 490

 55

 585

 130 821

In Europe, Kinepolis currently has **55 cinemas** spread across Belgium, the Netherlands, France, Spain, Luxembourg, Switzerland and Poland.

Since the end of 2017, Kinepolis has been operating **46 cinemas** in Canada under the brand name 'Landmark Cinemas'.

Following the acquisition of MJR Digital Cinemas in October 2019, Kinepolis also has **10 cinema complexes** in Michigan (USA).



**111**  
COMPLEXES

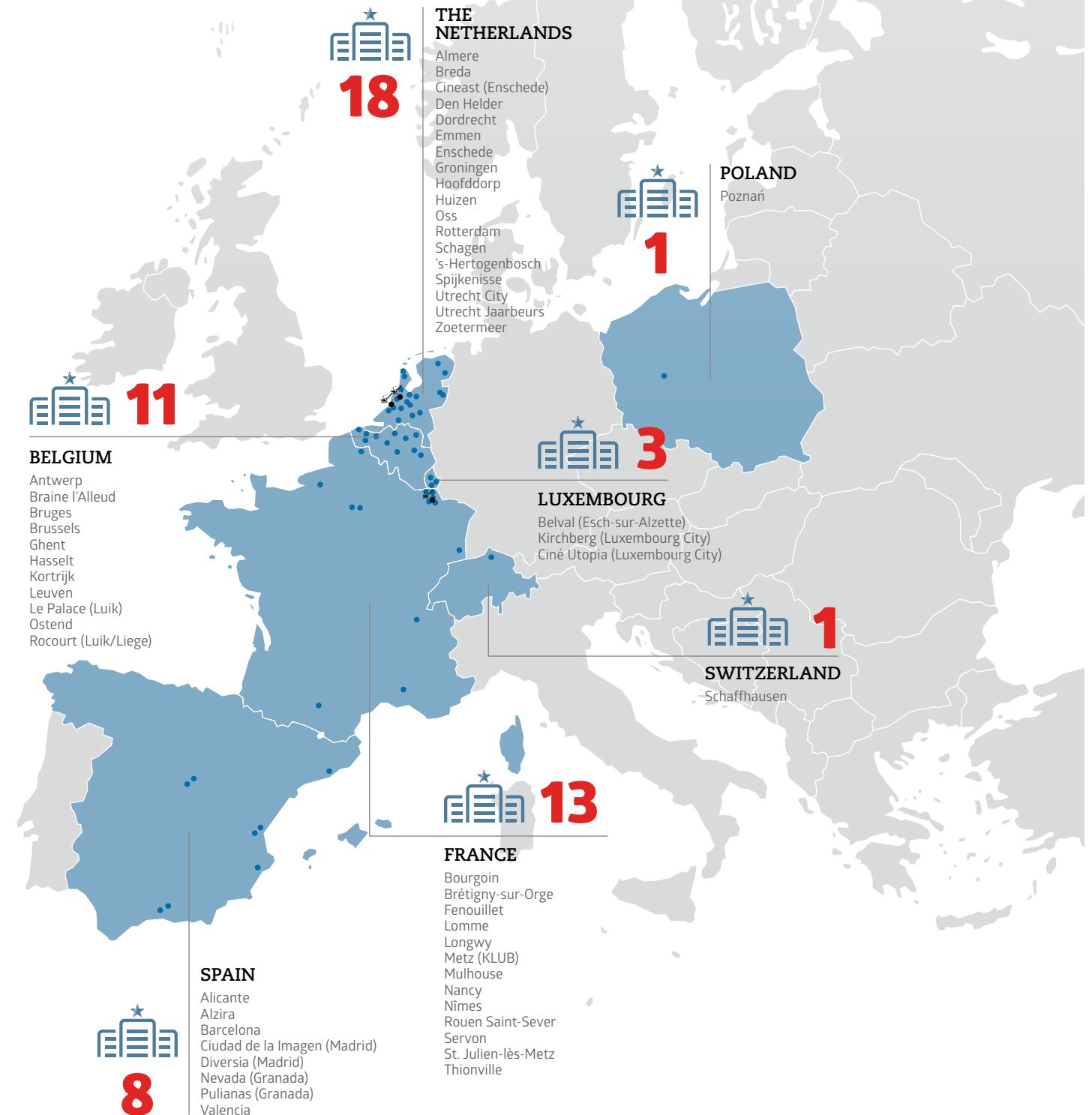


**1 079**  
SCREENS



**193 110**  
SEATS

# Kinepolis Europe





**2**

**YUKON**  
Whitehorse (Qwanlin)  
Whitehorse (Yukon)

**3**

**SASKATCHEWAN**  
Regina  
Saskatoon  
Yorkton

**10**

**ONTARIO**  
Bolton  
Hamilton (Jackson Sq.)  
Kanata  
Kingston  
Kitchener  
London  
Orleans  
St. Catharines  
Waterloo  
Whitby

**14**

**BRITISH COLUMBIA**  
Campbell River  
Courtenay  
Cranbrook  
Dawson Creek  
Fort St. John  
Kelowna  
Nanaimo  
New Westminster  
Penticton  
Port Alberni  
Surrey (Guildford)  
Victoria  
West Kelowna (Encore)  
West Kelowna (Xtreme)

**5**


**MANITOBA**  
Brandon  
Selkirk  
Winkler  
Winnipeg (Grant Park)  
Winnipeg (Towne)

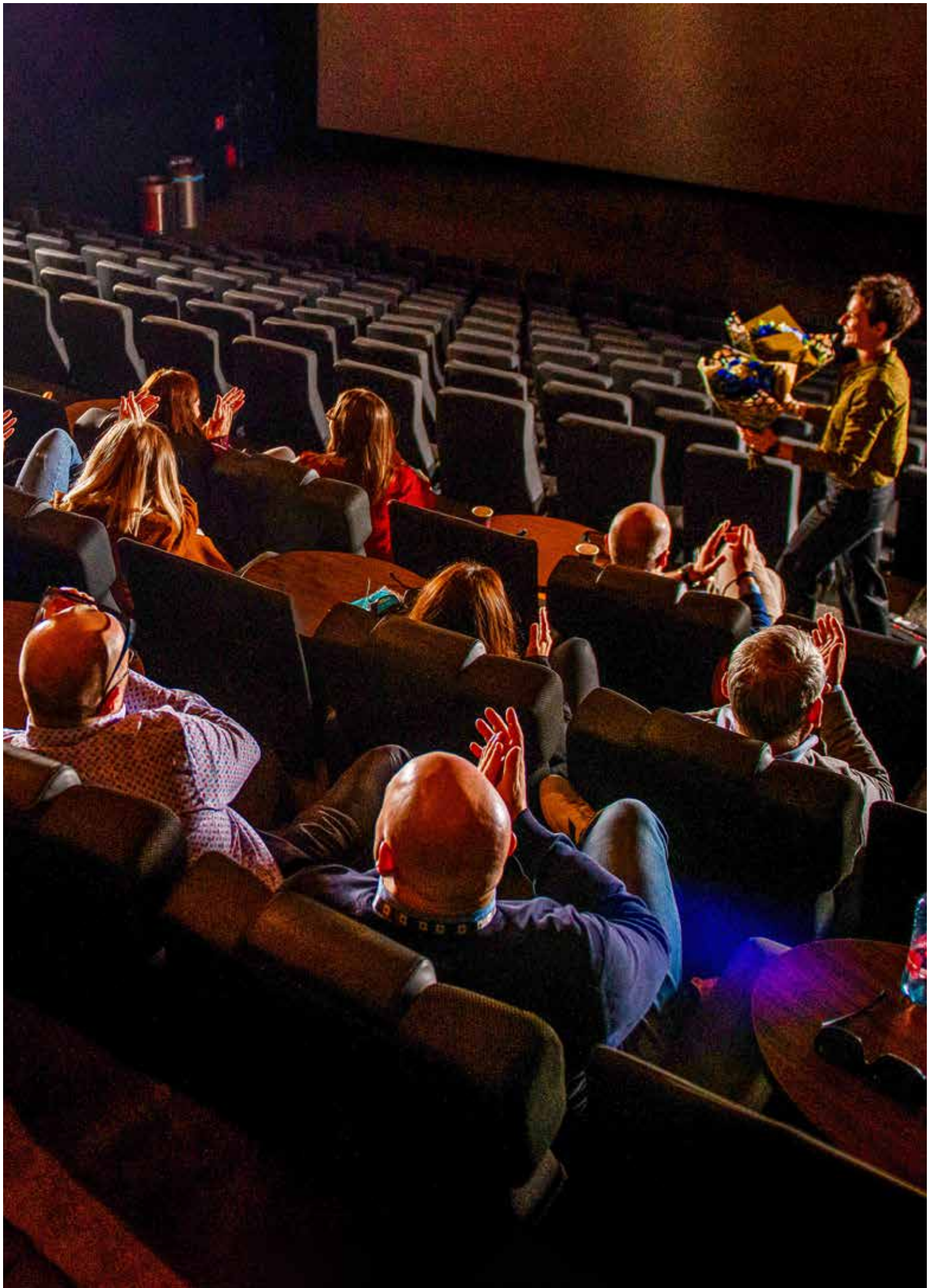
**10**

**MICHIGAN**  
Adrian  
Brighton  
Chesterfield  
Clinton Township  
Sterling Heights  
Troy (GDC)  
Troy (Southgate)  
Warren  
Waterford  
Westland

**12**

**ALBERTA**  
Airdrie  
Brooks  
Calgary (Country Hills)  
Calgary (Shawnessy)  
Calgary Market Mall  
Drayton Valley  
Edmonton (City Centre)  
Edmonton (Spruce Grove)  
Edson  
Fort McMurray  
St. Albert  
Sylvan Lake

**LEGEND**  
 Planned new complex





# Our visitors

## CINEMA IS FOR EVERYONE

Young and old, the inveterate film lover or occasional blockbuster fan, couples, families, friends, horror fans and even opera fans: cinema is for everyone. Kinopolis has made the switch from passive to active programming in recent years. This means that Kinopolis always ensures that it has a varied offer in which everyone will find something to his or her taste. Taking account of our multi-cultural society, films from many different cultures are featured.

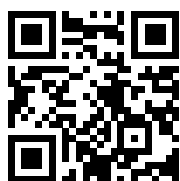
## VISITORS TO CORPORATE EVENTS

Many visitors find their way to the cinema through corporate events. 11.0% of our revenue in 2019 was generated by Business-to-business activities. This can be avant-premieres, congresses, private film screenings, company presentations, and so on.



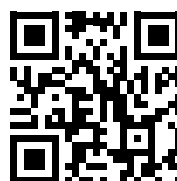
IN 2019, KINEPOLIS GROUP RECEIVED

**40.3** MILLION VISITORS



←  
*Aftermovie  
B2B-event*

*Some reactions*



Visitors interviewed after 'The Lion King'



Visitors interviewed after 'Star Wars'



# OUR BRANDS

## KINEPOLIS, OUR BRAND IN EUROPE



The origins of Kinopolis Group go back to the end of the 1960s, when the late Albert Bert took over the neighbourhood cinema in Harelbeke from his father and expanded it into a cinema with two screens. In the years that followed, Albert Bert opened cinemas with more and more screens, and thereby laid the foundation for the multiplex concept. In 1988, he opened Kinopolis Brussels with his sister-in-law, Marie-Rose Claeys-Vereecke. With no fewer than 25 screens, this was the world's first megaplex. The Bert and Claeys families merged into one concern in 1997, Kinopolis Group. Since 2006, the Bert family has been the only family shareholder.

Driven by the same urge for innovation and customer focus that the founders demonstrated from the start, Kinopolis has grown into a leading European cinema operator over the years. Kinopolis launched on the stock market in 1998, and has been led since 2008 by CEO Eddy Duquenne, who introduced a new, successful business strategy and has substantially expanded the Group since 2014, thanks in part to the acquisition of Landmark Cinemas Canada and American MJR Digital Cinemas.



*Albert Bert*



*First cinema in Harelbeke*



### **KLUB, THE ART HOUSE CINEMA CONCEPT OF KINEPOLIS**

In 2018, Kinopolis developed an alternative cinema concept and brand for a small cinema in the centre of Metz. 90% of the programming of the KLUB consists of art house films.



Kinopolis's-Hertogenbosch (NL)



Calgary Market Mall (CA)



MJR Digital cinemas Troy (USA)

## LANDMARK CINEMAS, OUR BRAND IN CANADA



Landmark Cinemas is the second-biggest cinema group in Canada. The Group was formed in 1965, consisting mainly of smaller, regional cinemas until, together with TriWest Capital, it took over the 22 Empire Theatre cinema complexes located in Ontario and the West of Canada in 2013. At the end of 2017, Landmark Cinemas was acquired by Kinopolis Group, which thereby entered the North American market for the first time. The Canadian cinemas continue to operate under the registered 'Landmark Cinemas' brand.

## MJR DIGITAL CINEMAS, OUR BRAND IN THE USA



MJR Digital Cinemas was founded in 1980 by Mike Mihalich, and grew into a group of ten multi- and megaplexes in Michigan (Metro Detroit area). The American cinema group was acquired in October 2019 by Kinopolis Group, which thereby took its first steps in the United States. The American cinema complexes continue to operate under the registered 'MJR Digital Cinemas' brand.

## INTERVIEW

# Bill Walker, Country CEO of Landmark Cinemas Canada

The Canadian Landmark cinemas – Kinopolis activities in Canada – have been led by Bill Walker since the beginning of 2018. He was named one of Canada’s ‘Top 40 under 40’ in 2019. Specially for this annual report, we have asked him to look back on the past two years.

### *Could you briefly outline the evolution of Landmark to where it is now?*

BILL WALKER: The transformation of Landmark began in 2013 with the acquisition of the former Empire Theatre locations. With this takeover, Landmark’s field of operation was expanded to beyond Western Canada, and it became the second largest cinema operator in Canada. From 2013 to 2017, Landmark’s growth was supported by investments in recliner seats and improvement of the customer experience in the existing theatres. After the acquisition by Kinopolis in 2017, we took a broader approach in order to raise our activities to a higher level. Since then, we have taken over the organisational structure and self-learning corporate culture of Kinopolis, opened four new complexes, completed three MarketPlace shops (following the example of the Kinopolis shop concept) and three Laser Ultra PLF installations, and we are also testing the ‘Cosy seating’ concept at one location. Our more diversified investment

strategy is well received by our customers, and results in an approach that will improve our financial results continuously.

### *How did you experience the acquisition by Kinopolis? How do you find the right balance between a global, a national and even a regional or local strategy?*

BILL WALKER: We have received constructive support in the implementation and adaptation of the Kinopolis three-pillar strategy in our market. The aim to be the best marketer, the best real estate manager and the best cinema operator must be adapted to local market conditions. Kinopolis gave us the space to tailor our approach to the Canadian market, while remaining loyal to the international strategy, which encourages the sharing of best practices and lessons from around the world. We distinguish different populations within Canada, just as we see differences between Canada and Europe. As a cinema operator, we must ensure that we know the customer group in every area well, and adapt our approach to that customer.

### *How does the Canadian market differ from other markets, and how is it comparable to the European market?*

BILL WALKER: The competitive conditions in Canada are unique: one player has a market share of 75%. This offers Landmark opportunities for new construction projects and renovations in markets where we have a small position and can gain market share and stimulate market growth. Just as in Europe, the markets are different throughout the country, and that is why it’s very important that we adjust our programming, prices and experience to each market.



Landmark Regina (CA)



Bill Walker (4th from left) and the team at the opening of Landmark Regina in October 2019.

*How does Landmark bring added value to the customer and how will it continue to do so in the future?*

BILL WALKER: Landmark's biggest point of differentiation in the market has been reserved recliner seating. Thanks to our strategic investments in this experience, we have been able to gain new customers, while our existing customers are visiting more often. This is just one dimension of the customer experience, however. In addition, I am also pleased with the progress we're making in improving our concessions experience (MarketPlace), adding premium formats such as Laser ULTRA, and re-investing capital in upgrading our assets. In the future, even more value will be created by stimulating innovation aimed at a better customer experience, by removing obstacles that prevent an optimal moviegoing experience, and by offering premium experiences in the appropriate markets.

*How do you look back on the year 2019 from the perspective of Landmark?*

BILL WALKER: In a year in which the North American box office declined, the implementation of Kinopolis' business approach allowed Landmark to protect itself against the cyclical nature of our industry. Thanks to the improved profitability in existing locations and the exceptionally good performance of our new complexes, Landmark was able to increase the box office and EBITDA, even compared to a record year 2018. This is thanks to our exceptional teams at the Cinema Support Centre and in all our cinemas, who understand and believe in our business strategy.

# Our team

More than 4 600 employees work hard every day to give millions of cinema visitors an unforgettable movie experience.

The 'Ultimate Movie Experience' begins and ends with the people who make their contribution every day, in front of and behind the screens. Kinopolis therefore aims for sustainable growth by attracting, nurturing and developing talent. It is essential to have a working environment in which our people can optimally use and develop their talents, i.e. a place where the Kinopolis values are put into practice and where everyone is offered opportunities for further growth on both a professional and/or personal level.

*Employee testimonials*



## ENTREPRENEURSHIP CENTRAL

Entrepreneurship and empowerment of employees is stimulated and facilitated to the maximum at Kinopolis. We want to give responsibility for departmental targets and budgets to as many people as possible, in order to let them actively contribute to the continuous improvement of Kinopolis' business operations. This bottom-up approach is part of the DNA of Kinopolis. This approach goes hand-in-hand with the creation and stimulation of 'learning networks', in which employees in similar functions, but from different cinemas, discuss with each other in order to gain new insights and to learn from each other. This is what we mean by the 'self-learning' culture of our organisation.

### K VALUES

Every individual and every team is expected to ensure that the customer is central, and that they work together in a constructive manner, doing his or her job properly and efficiently, dealing with change in a flexible way and showing a sense of initiative and entrepreneurship.



CLIENT FOCUS



OPERATIONAL EXCELLENCE



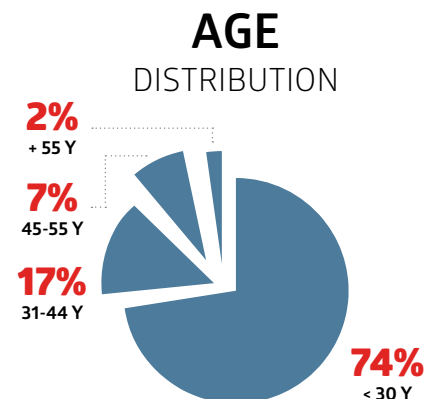
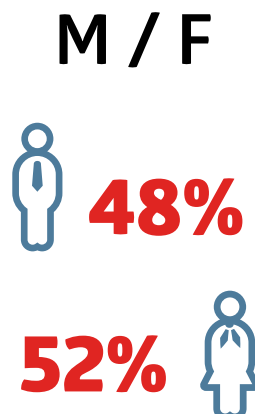
FLEXIBILITY



TEAMWORK



HANDS-ON





Kinopolis also tries to be a ‘self-innovating’ organisation. To this end, the Innovation Lab was established in 2016, in which all employees – from student to manager – are encouraged to constantly question things, to listen actively to customers and to come up with creative ideas, both within their positions and beyond.

## KINEPOLIS ACADEMY



Kinopolis introduced a renewed Kinopolis Academy in 2019, with various new e-learning

and training programmes at various levels (Star(t)s, Professional, Lead & Develop). In addition, there are also personal coaching programmes for managers, and ‘Insights Discovery’ trainings have been organised for teams since 2017.

## TALENT FACTORY

Kinopolis tries to stimulate internal mobility through talent reviews and an open dialogue between employee and manager. A great number of employees have moved from operational cinema functions to middle and higher management.

As a cinema operator, Kinopolis also relies on a large number of temporary employees, including more than 1 000 students a year in Belgium. Kinopolis thereby provides these young people with a first work experience, and helps them to acquire many professional skills, such as working in a team and bearing responsibility.

For more information about our personnel policy, please refer to Part II: ‘Sustainability report’.



### TALENT ON THE MOVE

*Erwin Six*

After more than 15 years of operational experience in the Belgian Kinopolis cinemas, and three years in a project role at the start-up of Kinopolis Netherlands, Erwin Six moved to Detroit at the end of 2019 to support the upcoming integration of MJR Digital Cinemas. He will assist the MJR management in getting to know and, where appropriate, implementing the working methods and procedures of Kinopolis.

# Core activities

Our organisation consists of seven core activities, all the ingredients for the ultimate movie experience.



Kinepolis Nancy (FR)

## BOX OFFICE

Box Office activities comprise the sale of cinema tickets. The evolution of these sales is highly dependent on a number of external factors, including the weather and the film range. Kinepolis endeavours to continuously optimise its seating capacity and occupation by providing a varied range of films and cultural events, thereby reaching the widest possible audience. By means of an active programming policy, we aim to have an offer for diverse target groups at all times. The classic film range is thereby also permanently supplemented with alternative content (art, opera, ballet, concerts, etc.) and event formulas (marathons, Ladies at the Movies, horror nights, etc.).



Kinepolis Servon (FR)





## IN-THEATRE SALES

In-theatre Sales (ITS) include all activities relating to the sale of beverages and snacks in the cinema complexes. This business has become more important in recent years, due to innovations in the infrastructure and the products offered. Today, most European cinemas have the familiar self-service shop (in Canada this was introduced under the name of 'MarketPlace'). The products offered in the shop are complemented by specific local products per country or region. In addition, Kinopolis is also developing other ITS concepts within this activity, such as the coffee corners and the 'Leonidas Chocolates Café'. Also with regard to ITS, we are aiming to provide a range that suits diverse target groups.



### ROLL-OUT OF MARKETPLACE IN CANADA

The Kinopolis shop concept was also introduced in Canada from the end of 2018. To date, the Landmark cinemas in Kanata, Whitby and Shawnessy have a so-called 'MarketPlace'.



Kinepolis B2B space in 's Hertogenbosch (NL)



Commercial lease: Pizzahut in Kortrijk (BE)



Kinepolis Nîmes (FR)



Landmark cinemas Regina (CA)

## BUSINESS-TO-BUSINESS

As a result of the digitisation of the cinema medium and through their advanced, flexible infrastructure, Kinepolis cinemas are also ideal B2B venues for conferences, avant-premieres and corporate events. In addition to the organisation of corporate events, the B2B activity also includes the sale of vouchers to companies and publicity campaigns in the cinema.

## REAL ESTATE

Kinepolis has a department tasked with the coordination of the management, utilisation and development of the Group's property portfolio. Kinepolis stands out from many other cinema operators thanks to its unique real-estate position. The Group owns a major part of its real estate (53 cinemas, which together generate 55% of the visitors). In the cinemas that Kinepolis owns, more than 90 000 m<sup>2</sup> are leased to third parties. The flow of customers to these businesses (mainly shops and cafés) is mostly generated by the presence of the cinema.

## DIGITAL CINEMA SERVICES

Digital Cinema Services (DCS) comprises all technical expertise that Kinopolis holds in digital projection and sound. This expertise is primarily used in-house, but Kinopolis DCS also occasionally provides technological services to third parties.

## FILM DISTRIBUTION IN BELGIUM AND LUXEMBOURG

Kinopolis Film Distribution (KFD) focuses on the distribution of international and domestic movies in Belgium and Luxembourg. As a specialist in the area of Flemish film, KFD has earned a strong position in Belgium. Via KFD, Kinopolis, as a media company, stimulates the production and promotion of Flemish films. KFD also works closely together with other partners, including Dutch FilmWorks, the biggest independent film distributor in the Netherlands. Within this partnership, KFD distributes the DFW film catalogue in Belgium and Luxembourg.

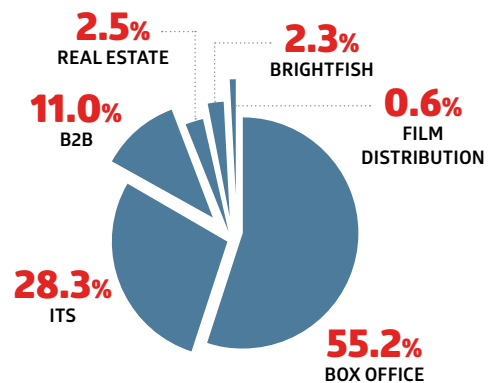


## SCREEN ADVERTISING IN BELGIUM



Kinopolis took over the advertising agency Brightfish in 2011. Through this acquisition, Kinopolis ensured that the (Belgian) cinema industry again had a stable partner for screen advertising. Brightfish offers a wide array of media channels in and around cinema for anyone who wishes to communicate with cinema visitors in a targeted way.

## TURNOVER PER ACTIVITY IN 2019



# Our strategy

## THE ULTIMATE MOVIE EXPERIENCE

Through its business strategy, Kinopolis aims to create sustainable value for its customers, employees, shareholders, partners and the environment. The three pillars of its strategic model go hand-in-hand with sustainable enterprise.

All the pillars are focused on creating **'the ultimate movie experience'**, a unique cinema experience for film and culture lovers, by means of a cinema concept that revolves around the total experience of the visitor.



Kinopolis Braine l'Alleud (BE)

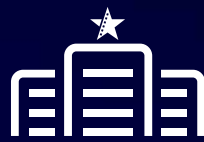
*The 3 pillars*



KINEPOLIS WANTS TO BE THE  
**Best  
cinema operator**



KINEPOLIS WANTS TO BE THE  
**Best  
marketer**



KINEPOLIS WANTS TO BE THE  
**Best real estate  
manager**





# Best cinema operator

We want to be the best cinema operator, and therefore strive for a top-quality customer and film experience, so that visitors can enjoy a film or business event in the best possible conditions.

The internal engine for this is a **self-learning organisation** in which ideas for the continuous improvement of business operations and the customer experience are encouraged from the bottom up.



Kinepolis Innovation Lab

Every year, all cinema teams propose both revenue-generating and efficiency-driven measures to systematically reduce the break-even point (in proportion to a hypothetical 5% fewer visitors per year<sup>(1)</sup>). Together with a uniform company structure, management reporting at detail level and the organisation of contact moments for business and budget owners to inspire each other, this annual exercise has realised a continuous improvement potential in both mature and new cinema complexes since more than 10 years.

The increasing importance of product innovation, to ensure the long-term success of the company, led to the establishment of the Kinepolis Innovation Lab in 2016: an internal platform that aims to stimulate innovation and entrepreneurship to the maximum in every employee.

## EMPLOYEES BECOME ENTREPRENEURS

Within each cinema, a number of local managers are responsible for a specific aspect of the business. These business or budget owners are given the opportunity to be a 'mini-entrepreneur', and regularly exchange experiences and ideas with their colleagues in other cinemas. In this way, they can draw on a wealth of cinema knowledge and experience, and this allows employees to inspire each other, even across national borders.

More than 1 in 10 employees have ultimate responsibility for departmental objectives and budget at Kinepolis. Striving to position responsibilities as low as possible in the organisation creates many growth and development opportunities for all employees, and cultivates entrepreneurship within the cinemas.

(1) Five percent fewer visitors is, of course, not a target, but merely an approach to simulate a lowering of the break-even point.

*Entrepreneurship is stimulated to the maximum*



Team Kinopolis Breda (NL)

## ‘MEASURING IS KNOWING’

In addition to the financial metrics, the essential KPIs at Kinopolis include customer satisfaction (Customer Satisfaction Index, CSI) and employee satisfaction (People Satisfaction Index, PSI), and these are closely monitored at every level of the organisation.

### CUSTOMER SATISFACTION INDEX

Via the Customer Satisfaction Index, we gauge the various aspects of the customer experience via an online survey after each visit: what did people think of the film, the image and sound quality, the service, cleanliness, customer-friendliness, waiting times, etc. The CSI enables Kinopolis to continually collect customer feedback at a highly detailed level. The reporting and assessment of these results takes place on a daily basis at team, cinema and country level. Kinopolis constantly refines its operational management and film programming on the basis of this customer feedback.

### PEOPLE SATISFACTION INDEX

Kinopolis measures the satisfaction of its employees every year using the People Satisfaction Index (PSI). Employees are invited to share their experience of Kinopolis as an employer, completely anonymously, indicating what they like and what they feel could be improved. The results are then discussed in each team, and converted into actions.

## INVESTING IN TALENT

With a strategy that is strongly driven by the creativity of employees, our human capital is our greatest asset. Recruiting, coaching and retaining employees who fit with the corporate culture of Kinopolis and who can give substance to the continuous improvement of the business operations and customer experience from the bottom up, is crucial for Kinopolis. Entrepreneurship is deeply embedded in the DNA of the organisation, so we very consciously aim to attract employees who are self-managing, but who are also excellent team players with an eye for detail at the same time.





## Best marketer

Through intensive interaction with our visitors, we want to provide a customised offer that meets the wishes and needs of the public.

In recent years, Kinopolis has developed a best-in-class relationship marketing strategy (based on extensive knowledge of the customer and his preferences) and an active programming policy.



### RELATIONSHIP MARKETING

The marketing strategy of Kinopolis is aimed at getting to know our customer and his or her preferences better. Given the huge increase in the number of films being programmed today, and the pressure on the traditional Hollywood model whereby the distributor unilaterally promotes a film, but finds it increasingly difficult to reach the consumer, Kinopolis wants to use direct marketing to inform customers about films whose genre, cast or director is in line with his or her preferences. In this way, Kinopolis' mission has evolved in the last decade from providing the ultimate 'cinema experience' (best image, seating comfort, etc.) to providing the ultimate 'movie experience'. Because the right film is also an important factor for a successful moviegoing experience. Millions of customers receive film and event recommendations by e-mail, on the app and on the website, based on their personal preferences.

Kinopolis is committed to further invest in the relationship with its customers through mobile and online services.

#### MARKETING AS A SERVICE

In Europe, we can today reach 5.5 million customers via e-mail marketing (versus a customer base that we estimate has more than 7.6 million unique visitors at European level). More than 1.3 million of them have a subscription to the My Kinopolis newsletter. The e-mailings with recommendations for films and events only go to a limited target group, based on the knowledge that Kinopolis has built up about its customers. The average e-mailing in Belgium, for example, is sent to only 7% of the addresses in the database.

Kinopolis thereby attaches the utmost importance to the protection of personal data. Respect for customers and respect for their data are inextricably linked and Kinopolis takes both very seriously (see Part II: Sustainability Report).



## ACTIVE PROGRAMMING

The Kinepolis offering is not limited to the current international blockbusters. In recent years, Kinepolis has made the switch from passive to active programming. In doing this, Kinepolis selects films based on the preferences of its customers, which means they can vary from one cinema to another. Kinepolis' goal is to offer something to each of its target groups at all times during the year.

In recent years, Kinepolis has successfully supplemented its content offering with 'alternative' content, such as culture in cinema (opera, ballet, art, theatre), multicultural films (Polish, Russian, Turkish, Indian, etc. films), concerts, live transmissions of events, and so on.

*Alternative content*





'Cosy Seating' with a handy table



Recliner seating

*With foot rest*

## EXPERIENCE

The experience that we offer is another important key to success. Given the growing range of content available via home entertainment, moviegoers are more than ever looking for an experience. Kinopolis is therefore fully investing in product innovation and experience concepts. The majority of these innovations are part of a further diversification of the product range with which Kinopolis wants to optimally respond to the wishes of various target groups.

### COSY SEATING

Cosy Seats are even more comfortable seats with extra-wide armrests featuring a handy tray for drinks and snacks and a coat hook. Cinema-goers can opt for Cosy Seats by paying a supplement on top of the regular ticket price. In 2019, Kinopolis equipped more European theatres with Cosy Seats, and introduced the concept in Canada, under the name 'Premiere Seats', with a first installation in the Landmark cinema in Cranbrook.

### RECLINER SEATING

The recliner seat concept is very popular in North America. This is a fully reclining, automated seat with footrest, which guarantees a 100% relaxed movie visit. Landmark Cinemas Canada, who first introduced the concept in Canada, has now completely fitted most of its multiplexes with recliner seating.

### LASER ULTRA

With Laser ULTRA, Kinopolis is combining the unique picture quality of Barco's 4K laser projector with the immersive Dolby Atmos sound system.

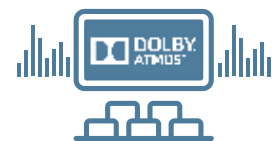


**11**  
FULL-LASER  
CINEMAS

(\* numbers at the date of publication)



**30**  
LASER  
ULTRA SCREENS



**51**  
SCREENS WITH  
DOLBY ATMOS

Together, these two technologies give visitors an even more intense film experience, a feeling that they are at the centre of the action.

#### 4DX AND MX4D

The innovative 4D cinema technology of 4DX and MX4D takes the image of of action-packed blockbusters to the next level, far beyond the traditional cinema experience, thanks to special effects such as moving seats, weather simulations and scent effects, perfectly synchronised with the on-screen action. This revolutionary cinema technology stimulates all the senses, and makes watching movies even more intense.

#### SCREENX

ScreenX is the world's first multi-projection technology to offer the visitor a 270-degree viewing experience by extending the scene to the side walls. Kinopolis opened several ScreenX rooms in Europe in late 2019 and early 2020.

#### IMAX

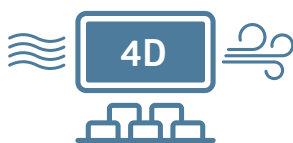
Landmark Cinemas has 5 IMAX screens in Canada. In Kinopolis Brussels – and also in Antwerp from late 2019 – film lovers can enjoy an immersive IMAX experience for the biggest blockbusters. The 'IMAX with Laser' theatres are equipped with a 4K laser projector in combination with an immersive audio experience.

In addition, Kinopolis is fully committed to event formulas aimed at bringing like-minded people together, such as marathons, one-off concert performances, Horror Nights, Ladies at the Movies, Kids weekends, and so on.

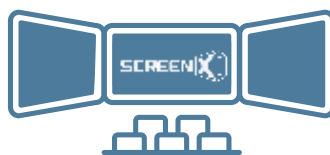


#### LASER PROJECTION

Laser projectors guarantee a razor-sharp image and consume up to 40% less power compared to traditional xenon lamp projectors. Laser provides more stable light, more light in the corners of the screen and a higher contrast. In June 2018, Kinopolis signed an agreement with Cinionic to equip approximately 300 screens with Barco laser by 2021. At the end of 2019, Kinopolis had more than 221 screens with laser projection. In the newly opened cinemas, all the screens are equipped with laser projectors.



**12**  
4D  
SCREENS



**5**  
SCREENX  
SCREENS



**7**  
IMAX  
SCREENS



# Best real estate manager

Kinepolis owns a large part of its cinema real estate, in particular 53 complexes, which generated 55% of the visitors in 2019.

Most of the rented cinema complexes are smaller complexes that have been acquired, mainly in the Netherlands and Canada.

## CINEMA REAL ESTATE

Ownership of our cinema real estate has a significant effect on the risk profile of the company. Kinepolis is less sensitive to inflation, and it gives us the flexibility to be able to switch to an alternative use of overcapacity if the success of the cinema changes over the long term. Examples of this include the installation of an indoor playground in Madrid, a climbing wall in France, etc.



Kinepolis Servon (FR)



**53**  
COMPLEXES IN  
OWN HANDS



Indoor playground 'The Magic Forest' in Madrid (ES)



Restaurant in Kinepolis Hoofddorp (NL)



Kinepolis Haarlem, new construction project for 2020 (NL)

Within the owned cinemas, Kinepolis rents out more than 90 000 m<sup>2</sup> to third parties (mostly to catering companies). The flow of customers to these businesses is mostly generated by the presence of the cinema.

In recent years, the Real Estate department has also become closely involved in the realisation of the Group's expansion strategy with regard to the development, realisation and coordination of new construction projects. In the history of our Group, we have never had as many projects under construction as in the past two years. Kinepolis is committed to continue the optimal management, use and development of its unique real estate portfolio in the future.



Leonidas café in Antwerp (BE)



Kinepolis Kirchberg (LU)

# International growth

Kinepolis wants to introduce its unique cinema concept to new markets and new target groups, thus creating additional value for all its stakeholders.

Significant steps to implement the Group's expansion strategy have been taken in recent years. The number of cinemas in Kinepolis' portfolio has grown from 23 to 111 over the past five years.

## EXPANSION STRATEGY

The business strategy described above is also the basis for successful expansion, as Kinepolis focuses on cinemas and cinema groups where it can introduce its self-learning business culture and organisational model in order to realise improvement potential. The realisation of this potential for improvement depends on the creativity and capacity of the teams, which is why Kinepolis will always take both the financial and human capital into account with regard to its expansion.

The organisation of Kinepolis Group is structured according to its geographical markets. Each country has a national Cinema Support Centre, which autonomously controls and supports the cinemas in the respective country. When expanding into an existing market, the national team is responsible for the integration of the cinemas involved, with the assistance of the International Cinema Support Centre, which is located in Ghent, Belgium.

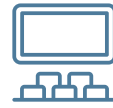


Kinepolis Brétigny-sur-Orge (FR)





El Punt cinema 'Full' in Barcelona (ES)



'Full' cinema

28

SCREENS



Arcaplex



9

SCREENS



Kinopolis Spijkenisse (Arcaplex) in Spijkenisse (NL)

## EXPANSION IN 2019

### ACQUISITION OF THE EL PUNT CINEMA GROUP IN SPAIN

Kinopolis took over two Spanish cinemas, namely the 'Full' cinema in Barcelona and 'El Punt Ribera' cinema in Alzira, near Valencia, on 1 March 2019. Both cinemas have been successfully integrated within the Group.

The cinema in Barcelona has 28 screens with a total of 2 689 seats, and welcomes more than 1.3 million cinema-goers every year. It is the second-largest cinema in Spain after Kinopolis Ciudad de la Imagen in Madrid. The cinema is leased, and is situated in the 'Splau' commercial centre in Cornellá de Llobregat, 14 km south of Barcelona. All the screens are equipped with 4K projectors and 19 screens are fitted with Dolby Atmos sound.

The cinema in Alzira, the real estate of which is owned, has 10 screens and 2 528 seats, and attracts around 300 000 visitors a year.

### ACQUISITION OF ARCAPLEX IN THE NETHERLANDS

Kinopolis took over both the real estate and the operation of the Arcaplex cinema located in Spijkenisse, the Netherlands, in November 2019. The cinema, which was previously owned and operated by the Rump brothers, has 9 screens and 951 seats, and welcomed more than 200 000 visitors in 2018.

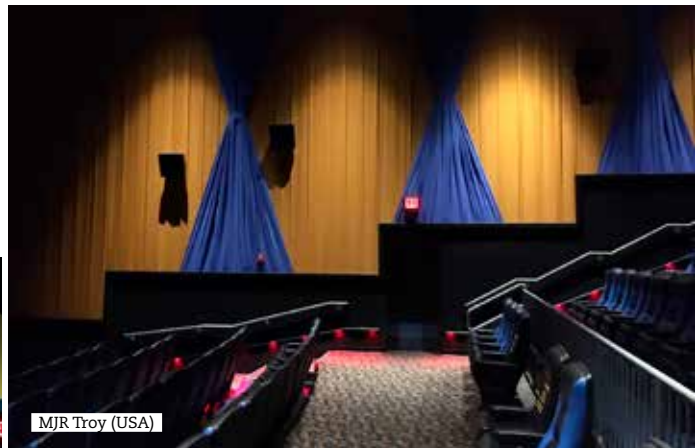
The cinema was thoroughly renovated and expanded in the spring of 2018. Three new theatres were opened in the process, provided with every seating comfort and equipped with laser projection for a razor-sharp image.



**164**  
**SCREENS**



MJR Southgate (USA)



MJR Troy (USA)



MJR Partridge Creek (USA)



MJR Brighton (USA)

#### ACQUISITION OF MJR DIGITAL CINEMAS IN THE UNITED STATES



Kinepolis completed the acquisition of American MJR Digital Cinemas in mid-October 2019. MJR Digital Cinemas, with head office in Bloomfield Hills, Michigan, has 10 cinema complexes with a total of 164 screens and more than 16 000 seats, all located in Michigan. All the cinemas involved are multi- and megaplexes with capacities ranging from 10 to 20 screens. The 10 cinemas realised a turnover of 81.2 US Dollar in 2018, with 6.2 million visitors.

Seven of these cinemas are owned (114 screens) – three of which are on a leasehold site – and the remaining three are rented complexes (50 screens). The Group has three megaplexes with 20 screens each, five cinemas with 16 screens, one with 14 screens and one with 10 screens. All the screens are equipped with 5.1 digital surround sound, and two complexes have an 'EPIC experience' auditorium, where 4K projection is combined with Dolby Atmos sound. In addition, almost all the cinemas are equipped with the recliner seating concept, the motorised, fully reclining seats with foot rest, which are also very successful in Canada.

Eddy Duquenne, CEO Kinepolis Group: "I am very proud to have the opportunity to extend our investment in Canada to the USA. The successful acquisition of the Canadian Landmark Cinemas has demonstrated that we can successfully implement our business strategy in a different continent and a different time zone. The acquisition of MJR fits perfectly with what we are pursuing in terms of expansion: geographically it fits with Canada, it only concerns multi- and megaplexes, and we are acquiring an important real estate position."

Kinepolis will continue to operate MJR under the existing brand name. The cinema group, which has approximately 700 employees, will continue to be managed by the current management, which will be supported in terms of integration by the European Kinepolis team, as well as the Canadian Landmark team.



”

I am delighted my outstanding supporting cast will continue as part of the larger Kinopolis team to serve our customers with the same high standards my team established and maintained since MJR's founding in 1980. I am confident such a high quality operator that shares our values, will steward MJR into the future.

Mike Mihalich, founder and former CEO  
of MJR Digital Cinemas





Kinepolis Servon, located in the Île-de-France region, opened its doors to the public in September 2019.

### OPENING OF NEW CINEMAS

Three new cinemas were opened in 2019, namely Kinepolis Servon in France (9 screens, 1 208 seats) and two new Landmark cinemas in Canada (Regina and Calgary Market Mall), with 8 and 5 screens respectively, and fully equipped with the recliner seating concept.

### RENOVATION OF PREVIOUSLY ACQUIRED CINEMAS

Also in 2019, cinemas that had been acquired earlier were renovated and transformed into Kinepolis

cinemas. This was the case for Kinepolis Rouen, a cinema in the Rouen Saint-Sever commercial centre that was acquired in 2016, as well as for Kinepolis Zoetermeer, a former Utopolis complex in the Netherlands. Kinepolis Kirchberg In Luxembourg was ceremonially inaugurated after the completion of a long and thorough renovation. With, among other things, a renovated shop and new B2B space, a 4DX and Laser ULTRA screen and a renovated exterior façade, Kinepolis Kirchberg has become one of the flagship cinemas of the Group.

Kinepolis continues to invest in expansion, evaluating various projects in different countries, for both potential acquisitions and new-build cinemas.



Kinepolis Servon (FR)



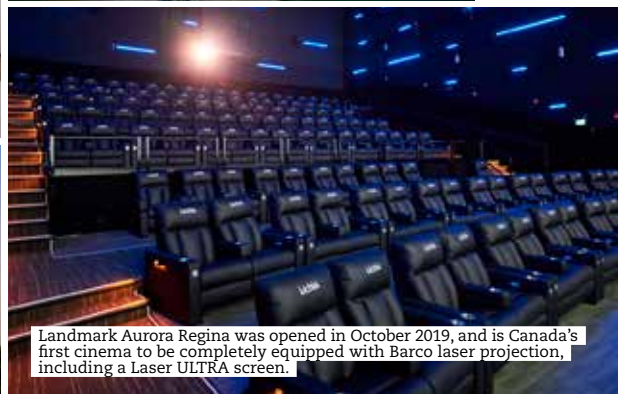
Kinepolis Rouen (FR)



Inauguration of Kinepolis Kirchberg (LU)



The Landmark cinema in Calgary Market Mall opened its doors at the end of December 2019.



Landmark Aurora Regina was opened in October 2019, and is Canada's first cinema to be completely equipped with Barco laser projection, including a Laser ULTRA screen.

# Worldwide recognition

The cinema concept of Kinopolis is a reference in the sector, and has already received a number of prestigious awards.



## 2014

### GLOBAL ACHIEVEMENT IN EXHIBITION



**LAS VEGAS** – In 2014, CEO Eddy Duquenne received the award for 'Best cinema operator in the world' at CinemaCon in Las Vegas, a worldwide recognition of the experience that Kinopolis offers its customers.

## 2017

### INTERNATIONAL EXHIBITOR OF THE YEAR



**BARCELONA** – European recognition followed in 2017, when Eddy Duquenne received the 'International Exhibitor of the Year' award. This annual award is presented by UNIC and Film Expo Group during CineEurope to a cinema operator whose achievements, new developments, growth and market leadership make them a standard-bearer for the industry.

# 2019

## ENTREPRENEUR OF THE YEAR 2019 IN BELGIUM, KINEPOLIS' HOME MARKET



**BRUSSELS** – On 8 October 2019, Kinopolis proudly received the 'Entrepreneur of the Year 2019' award for Flanders from His Majesty the King of Belgium. The 25<sup>th</sup> edition of this prestigious event, organised by EY in collaboration with newspaper De Tijd and BNP Paribas Fortis, took place in Auditorium 2000 at the Heysel in Brussels, and was given an extra festive touch to celebrate this anniversary edition. EY launched the *Entrepreneur of the Year*<sup>®</sup> award in 1995, with the ambition of putting the best achievements of Belgian companies in the limelight.

Other nominees for the award, besides Kinopolis, were Actief Interim, Aertssen and Torfs. The jury eventually chose Kinopolis as the winner because of the company's impressive growth and financial results, its entrepreneurship and international development, innovation culture and good governance.

**Jury president Michèle Sioen:** "In addition to the impressive expansion strategy, which recently peaked with the expansion to the United States, Kinopolis stands out in particular by empowering its employees and creating additional added value for the customer experience. All this is done with an eye for the environment, for example by introducing energy-saving techniques, carrying out sustainable renovations and installing the latest cinema technologies. Kinopolis is therefore the very deserving winner of the 25th edition of *Entrepreneur of the Year*<sup>®</sup>."



This is a fantastic recognition for our almost 5 000 employees. Everyday I see proud people who are passionate about their jobs and who always go the extra mile. We deeply appreciate this recognition, which will certainly motivate us to keep pushing our boundaries, to stay true to our business strategy and to innovate in order to offer our customers the ultimate movie experience time and time again.

Eddy Duquenne, CEO Kinopolis Group



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Creation: [www.astrix.be](http://www.astrix.be)

This report is available in English, Dutch and French.





2019

KINEPOLIS GROUP COMPANY REPORT



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[WWW.KINEPOLIS.COM/CORPORATE](http://WWW.KINEPOLIS.COM/CORPORATE)





SUSTAINABILITY REPORT

*Because we care.*

2019

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KINEPOLIS GROUP



**PART II**

# SUSTAINABILITY REPORT

*Because we care.*

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STATEMENT OF NON-FINANCIAL INFORMATION  
AS PROVIDED FOR IN THE LAW  
OF SEPTEMBER 3, 2017

# 2019

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KINEPOLIS GROUP

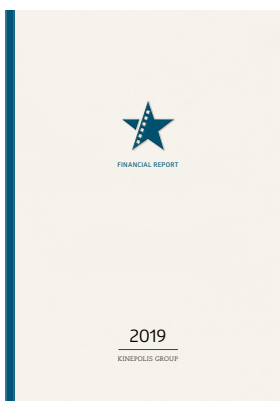
This Sustainability Report is part of the Kinepolis Group Annual Report 2019, which consists of three parts:



**PART I**  
COMPANY REPORT



**PART II**  
SUSTAINABILITY REPORT



**PART III**  
FINANCIAL REPORT

## SUSTAINABILITY REPORT

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| Our people   | 18 |
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| Integrity in business                                | 34 |





Kinepolis Thionville (FR)

# Sustainable investment in people and the environment

Kinepolis attaches the utmost importance to the social, environmental and cultural consequences of its business operations.

The principles of Corporate Social Responsibility (CSR) have been translated into a sustainability policy that is an important guideline in the daily decision-making processes and the operation of the company.

## CONTEXT AND METHODOLOGY

In 2017, Kinepolis decided to structure its existing CSR approach within the framework of the internationally recognised ISO 26000 standard (*Guidance for the social responsibility of organisations*). In accordance with this standard, a relevancy and significance evaluation of the various CSR aspects and the related risks that a company faces was carried out at the end of 2018. This evaluation was carried out by the members of the Board of Directors, the senior management and the Belgian Works Council. The relevance and significance for Kinepolis itself and for its various stakeholders (including employees, customers, suppliers, investors and government) were taken into account. An evaluation of this kind is carried out at least every two years, unless there are strong indications that the results are not up-to-date. In such case, the evaluation will be accelerated.

The above-mentioned study showed that the following three CSR aspects are considered to be the most relevant for the organisation:

- Care of customers
- Care of employees
- Care for the environment



CARE OF  
**Customers**



CARE OF  
**Employees**



CARE FOR THE  
**Environment**

The Kinopolis policy in each of these domains is set out in more detail below. Any risks associated with the care of Customers, Employees and the Environment have been included in the description of the main business risks (see Part III: Corporate Governance, Page 29).

## CARE OF CUSTOMERS

Kinopolis aims to offer its customers a positive experience with every contact or visit, by clearly informing them, interacting with them and responding to their wishes. In doing this, Kinopolis takes all target groups into account, and this is reflected in the film programme and the infrastructure of its cinemas.



## CARE OF EMPLOYEES

The well-being of employees is an important part of the Kinopolis sustainability policy. Kinopolis works hard to develop talent and to encourage employees to get the best out of themselves. After all, an employee who feels involved will create happy customers and partners. Kinopolis' 'Human Capital' policy provides for, among other things, an intensive onboarding process, various training programmes and career guidance. The annual measurement of employee satisfaction enables Kinopolis to closely monitor this policy and to develop it further.

## CARE FOR THE ENVIRONMENT

Via its 'Green Star' programme, Kinopolis is also committed to shoulder its responsibilities with regard to care for the environment. Kinopolis takes full consideration of the comfort and convenience of visitors and employees in all its buildings, both in renovation work and new-builds. The company thereby constantly works to reduce its ecological footprint by introducing innovative, low-energy materials and structural applications.

In recent years, technological evolution has also enabled cinemas to significantly reduce the ecological impact of their operations. Examples of this are the evolution of projection systems and the rise in online and mobile transactions.





Kinepolis actively looks for new technologies and initiatives in order to ensure, as appropriate, a fast response to social and ecological trends.

## INTEGRITY IN BUSINESS

In addition to these three pillars, Kinepolis has a strict policy with regard to anti-corruption and bribery, and efforts are made to raise awareness of that policy among employees and management. Integrity is always at the forefront of Kinepolis' business operations.

## MEASURING OUR PERFORMANCE WITH REGARD TO SUSTAINABILITY

In order to measure the effectiveness and efficiency of Kinepolis' policy measures with regard to sustainability, a *Key Performance Indicator (KPI)* was determined for each of the above domains. In addition, descriptive performance indicators and examples will be cited throughout this report to illustrate the policy.

Over the coming years, Kinepolis is committed to further developing its sustainability policy and intensifying its efforts in various areas. The potential risks related to these topics will thereby be re-assessed on a regular basis, and it will be examined whether adequate policy measures have been provided to limit these risks.



### EXPLANATORY STATEMENT WITH REGARD TO THE ACTIVITIES OF KINEPOLIS IN THE USA

Kinepolis finalised the acquisition of American cinema group MJR Digital Cinemas in the middle of October 2019. As cinemas in the USA have only been part of Kinepolis' portfolio since late 2019, Kinepolis will not yet report on its US operations in this chapter.

Kinepolis is committed to implementing as much as possible of its corporate social responsibility policy – as set out in this chapter – in the American organisation in the coming years. In the first instance, the focus will thereby be on the rapid implementation of its Human Capital policy, aimed at introducing the self-learning corporate culture of Kinepolis and thereby empowering employees to actively contribute to the implementation of the corporate strategy.

## KEY PERFORMANCE INDICATORS (KPIs)

| SUSTAINABILITY PILLARS OF KINEPOLIS | RELATED GUIDELINES ISO 26000  | KPI   |
|-------------------------------------|---|---|
| Customers                           | <ul style="list-style-type: none"> <li>- Honest marketing, factual and unbiased information and fair practices when concluding contracts</li> <li>- Protection of the health and safety of the consumers</li> <li>- Customer service, support and resolution of complaints and disputes</li> <li>- Consumer data protection and privacy</li> <li>- Education and awareness</li> </ul> | <ul style="list-style-type: none"> <li>Number of completed customer surveys per year</li> <li>Customer Satisfaction Index (CSI) in Europe</li> <li>'Tell Us About Us' guest survey in Canada</li> </ul> |
| Employees                           | <ul style="list-style-type: none"> <li>- Employment and employment relations</li> <li>- Working conditions and social protection</li> <li>- Social dialogue</li> <li>- Health and Safety at work</li> <li>- Personal development and training in the workplace</li> </ul>   | <ul style="list-style-type: none"> <li>Number of 'budget owners' in relation to the total number of employees</li> </ul>  |
| Environment                         | <ul style="list-style-type: none"> <li>- Prevention of environmental pollution</li> <li>- Sustainable use of resources</li> <li>- Mitigation of and adaption to climate change</li> </ul>   | <ul style="list-style-type: none"> <li>Evolution of energy consumption per year Expressed in KWh/m<sup>2</sup></li> <li>Reporting at Group level for Europe (reporting in Canada from 2020)</li> </ul>  |
| Integrity in business               | <ul style="list-style-type: none"> <li>- Human rights</li> <li>- Honest business practices</li> </ul>   | <ul style="list-style-type: none"> <li>% of employees who have signed the Code of Conduct</li> </ul>  |

# Our customers

Customer experience is key at Kinopolis, which is why customer satisfaction and care for customers in all aspects of the Kinopolis 'customer journey' is of the utmost importance.

Kinopolis pursues an inclusive policy, with attention to all social target groups.

## POLICY

Kinopolis aims to offer its customers a positive experience during each visit or contact and, as such, increase the probability of a repeat visit and positive word-of-mouth advertising. Kinopolis thereby focuses on a number of aspects, all of which contribute to a total customer experience:

- An extensive range of films, in which everyone can find one that is to his or her liking;
- Modern, comfortable and easily accessible cinemas and theatres;
- High-quality customer service:
  - including film tips for and by customers
  - with respect for the protection of customer data.

## EVALUATION OF OUR POLICY: CUSTOMER SATISFACTION INDEX

The measurement of Kinopolis' efforts with regard to the customer experience is carried out on a continuous basis via the Customer Satisfaction Index (CSI) in Europe and the 'Tell Us About Us' guest survey in Canada. Both use almost the same criteria <sup>(1)</sup> to evaluate the quality of the customer experience offered. Kinopolis received a total of 557 193 completed surveys in 2019, 540 193 of which in Europe, and approximately 17 000 in Canada.

All European visitors who buy tickets online and leave their email address receive an invitation to tell Kinopolis about their experience within 24 hours of their cinema visit. Those who do not buy online can share their opinions via a form on the Kinopolis website. The questions relate to various aspects of the customer experience: how they liked the film, the quality of the picture and sound, the service, tidiness, customer friendliness, waiting times and so on. Customers can also submit suggestions in this way.

*(1) No film evaluations are currently being requested in Canada.*



## CUSTOMER SATISFACTION INDEX

|                                      | 2018<br>EUROPE | 2018<br>CANADA | 2019<br>EUROPE | 2019<br>CANADA | TOTAL<br>2019 |
|--------------------------------------|----------------|----------------|----------------|----------------|---------------|
| Number of completed customer surveys | 419 047        | N/A            | 540 193        | 17 000         | 557 193       |

The survey is not yet offered by email in Canada, but via the website. Customers are encouraged to fill it in by the cinema staff and by means of communication in the preshow. Landmark Cinemas will soon implement the Kinopolis CSI working method, and will review its survey in terms of both process and content.

The CSI enables Kinopolis to constantly collect customer feedback at a very detailed level, and the CSI results are reported and assessed on a daily basis at team, cinema and national level. Kinopolis constantly refines its operational management and film programming on the basis of this customer feedback. Comments on seat comfort, for example, are immediately passed on to the relevant department, and the seat in question will be immediately checked, and repaired where necessary.

In addition, customer satisfaction – alongside employee satisfaction and financial metrics – is an essential KPI within the Group for the assessment of the performance of cinema complexes, managers and employees. The above-mentioned KPIs are also included in the bonus scheme for managers and budget owners. The response in all countries is more than high enough to give a representative picture of customer satisfaction.

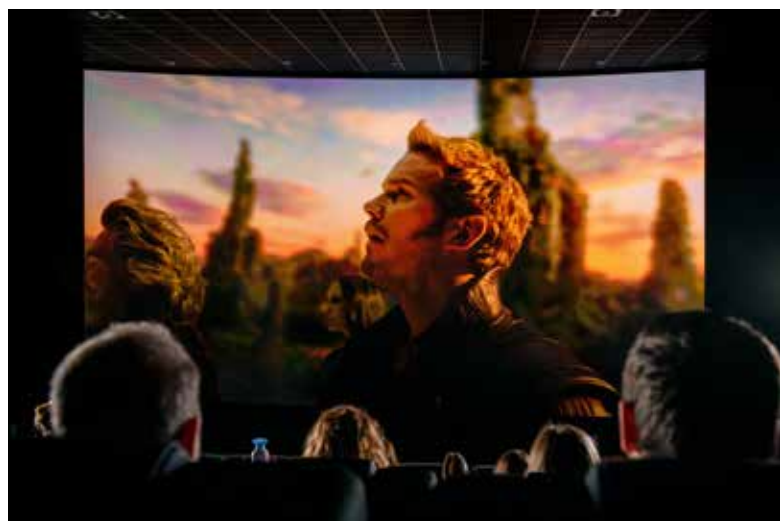
## VISITORS' SCORE PER FILM: CUSTOMERS ADVISE CUSTOMERS<sup>(2)</sup>

The Customer Satisfaction Index also measures the visitor score of each individual film in the Kinopolis programme, and this indicates the extent to which visitors would recommend the film they have just seen to others. The customer score is taken into consideration every week when programming films, making it an important indicator of how long a film will run in the cinema. Kinopolis always publishes the visitor score of each film on its website, even if it is negative. In this way, customers advise each other on which films to see, with Kinopolis as facilitator. The visitor score of a film also plays a role in the recommendations that Kinopolis makes to customers. The score is a factor in Kinopolis' 'recommendation engine': a piece of artificial intelligence that tries to identify, as far as possible, which films from the current programme will appeal to the customer.

### MOVIE LOVER EXPERIENCE AWARDS



Landmark cinemas that exceed their customer satisfaction goals are honoured at the Movie Lovers Experience Awards, an annual programme within the Canadian cinema circuit that aims to give wide internal recognition to cinemas that perform well.



<sup>(2)</sup> Not yet applicable for Landmark Cinemas Canada.



## CUSTOMER SUPPORT

Kinepolis wants to be as accessible to customers as possible and is committed to respond to questions and comments as quickly as possible. In order to inform customers as well as possible and to stimulate self-help, Kinepolis uses an extensive series of frequently asked questions and answers on its website in both Europe and Canada ([www.kinepolis.com](http://www.kinepolis.com) and [www.landmarkcinemas.com](http://www.landmarkcinemas.com), respectively). This list is regularly updated and adjusted based on customer contacts. Kinepolis proactively directs online customers to this 'FAQ' section. If customers cannot find the answer to their question, they can use the contact form on the website. This contact form is designed to ensure that the question is immediately forwarded to the right department and/or cinema. In case of problems or questions in the cinema, customers can always address the staff.

During busy periods, an external call centre is sometimes used to relieve the phone lines of the cinema complexes as much as possible, and to avoid waiting times for visitors. Customer questions are also answered every day via social media (Twitter, Facebook).

## PROTECTION OF CUSTOMER DATA

Kinepolis collects data about its customers as part of its relationship-marketing strategy and its 'Marketing as a Service' credo. In this way, Kinepolis can optimally tailor its operational management to the wishes of its customers, and European customers always receive relevant film and event recommendations based on the data in their personal profile.

From May 25, 2018, the use of personal data has been regulated by the European Union's General Data Protection Regulation (GDPR), which is aimed at the protection of personal data. The basic values behind the GDPR have always been the values followed by Kinepolis in the handling of customer data, namely:

- Kinepolis has a transparent data-processing policy towards its customers;
- The main objective of collecting and processing customer data is to improve the service to customers;
- Kinepolis attaches great importance to the rights of its customers with regard to data, and allows them to exercise them in a simple manner;
- Kinepolis has a strict organisational and technical security policy with regard to its customer data.

The Canadian equivalent of the GDPR is PIPEDA (The Personal Information Protection and Electronic Documents Act). Landmark Cinemas Canada meets all PIPEDA requirements in its handling of customer data, and pursues the same values.

Respect for customers and respect for their data are inextricably linked, and Kinopolis takes both very seriously.

### CYBER SECURITY

Kinopolis takes a whole series of measures to protect its IT systems, and thereby also its employees, customers and business operations, against cyber attacks. ICT risks (and the control measures to cover them) have until now been regularly discussed in the Audit Committee. From 2020, this will be done on a formal basis at least annually.

Kinopolis has a Security & Compliance Officer, supported by various external consultants who continuously test the security of Kinopolis' ICT systems. For example, Kinopolis has been working together with Intigriti for several years now. Intigriti is a bug bounty platform that brings together ethical hackers to identify vulnerabilities on behalf of the company, so that Kinopolis can tackle them as quickly as possible. Kinopolis also applies a strict code for external partners with regard to cyber security.

## A FILM PROGRAMME FOR EVERYONE

Kinopolis is committed to having a film programme for various target groups at all times, including social (such as ethnic or cultural) minorities. In addition to blockbusters, Kinopolis programmes and promotes many local and multicultural films and has developed its own successful cultural programme, covering opera, ballet, art and theatre on the big screen. Kinopolis always tailors its programme to the audience of a given cinema, taking into account, among other things, demographic factors, regional identity and the cultural offer.

For example, Kinopolis programmes Bollywood blockbusters and Turkish hits in multicultural cities with large Indian and/or Turkish communities. In addition to Polish and Russian films, among others, experiments were also conducted with Chinese and Japanese films in 2019. Furthermore, films with regional themes and films by (often fledgling) filmmakers with strong regional roots are also given a platform in the relevant regional Kinopolis cinemas.

### CANADIAN FILM SPOTLIGHT

Landmark Cinemas Canada has a 'Canadian Film Spotlight' label for a carefully curated selection of Canadian films, highlighting titles from the Canadian Independent Film Series and other local distributors. The 'Spotlight' series featured 12 Canadian titles in 2019, along with 13 other Canadian films that were given wider release on the Landmark circuit. In order to promote local film culture, Landmark Cinemas also supported 17 local film festivals in 2019, across the regions where Landmark operates.

### LOCAL CONTENT

In Belgium, Kinopolis also invests in the production and promotion of local Flemish films through Kinopolis Film Distribution. Kinopolis indeed believes that supporting and producing local content is essential for the future of the cinema business and the local film culture. Kinopolis is also a partner of local film festivals in various countries.



The Chinese film 'My People, My Country' attracted around 2 500 visitors in Belgium and Luxembourg.



All recently-opened Kinepolis cinemas are 100% wheelchair accessible.



*Reserved places  
for wheelchairs*

## NOISE STANDARDS

Protecting the hearing of our visitors is of the greatest importance to Kinepolis, and so the generally applicable national noise standards are strictly observed. In Europe, this means, among other things, that Kinepolis:

- calibrates all its cinemas every year;
- carefully checks the sound settings every two weeks;
- checks the maximum sound pressure level of the various programme types (such as the preshow and children's films);
- systematically adapts the volume to suit the type of programme and the size of the auditorium.

## WHEELCHAIR ACCESSIBILITY

Kinepolis is committed to making as many theatres as possible accessible to wheelchair users. More than 90% of all Kinepolis theatres are accessible for people with limited mobility, and most of them have reserved wheelchair spaces. All recently-opened Kinepolis cinemas are 100% wheelchair accessible. In some cinemas, where not all the theatres are wheelchair accessible due to outdated infrastructure, Kinepolis ensures that films are screened in different auditoriums at different times, so that visitors with limited mobility are able to see all the films. Kinepolis always provides clear information on whether theatres have wheelchair access, both online and on site. When booking online, wheelchair-accessible seats are clearly marked on the theatre plan, so that customers can reserve these places in advance when purchasing their ticket.

Apps for  
people with visual  
or hearing impairment



## ACCESSIBILITY FOR PEOPLE WITH VISUAL OR AUDITORY IMPAIRMENT

In line with the jurisdiction in France, Kinopolis has installed the Twavox system in all its French cinemas, which enables people with visual or auditory impairment to adjust (i.e. increase or even out) the sound to meet their needs using an app on their smartphone and a pair of headphones. People with visual impairment can also make use of an audio description.

Kinopolis launched the 'Whatscine' cinema app in Spain in 2017. The Whatscine app offers users a choice between audio description, subtitles and sign language on their smartphone, perfectly synchronised with the action on the screen, enabling everyone with impaired hearing or sight to enjoy the latest films. In this way, Kinopolis wants to promote the accessibility of cinema for everyone. The app has been available in all Spanish Kinopolis cinemas from 2018. 10 000 visitors made use of this app in 2019.

Kinopolis will evaluate the use of the above-mentioned systems with a view to a possible further rollout in its European cinemas.

In 2020, Landmark Cinemas Canada will further support movie lovers with audiovisual impairment by updating its existing 'Fidelio' and 'CaptiView' systems across 28 cinemas and installing them in all Landmark cinemas. Fidelio is a wireless storyline audio system adapted for both the visually and hearing impaired, and CaptiView is a closed captioning system for the hearing impaired or the deaf.

## MOBILITY

In order to avoid traffic problems around its multiplexes, Kinopolis encourages the use of alternative means of transport. Customers are informed as well as possible on the different ways of getting to the cinema. Most Kinopolis sites offer covered cycle parking facilities and the site is made accessible and open to public transport where possible. In 2019, work continued on a spacious, covered bicycle parking facility in Ghent, and Kinopolis participated in a broad campaign in Antwerp to promote a new tram line that stops at the cinema. Recent postcode research in Belgium showed that 40% of Belgian Kinopolis visitors come by public transport, on foot or by bicycle. In student cities such as Leuven or Ghent, this rises to more than 60%.





## SOCIAL ENGAGEMENT

### INCLUSIVE PROGRAMMING POLICY

Kinepolis is aware of its sociocultural responsibilities, and is committed to creating a film programme that reflects the diversity of today's society.

Kinepolis' multicultural programming and special screenings for senior citizens are concrete examples of its inclusive programming policy, with attention for all social target groups.

Within its B2B activities, Kinepolis has also created a schools programme, in which attention is given to current topics in the curriculum, with films being offered together with an educational dossier. Schools can benefit from discounted prices in this respect. Indeed, films can be a catalyst for discussion (for example, about subjects such as 'Anti-Bullying Week' and 'Safe Internet Day', etc.) or can introduce children to another language or culture (e.g. 'Cinéperles', for immersion in French language and culture).

### COMMUNITY INVOLVEMENT

Kinepolis also wants to accept its social responsibilities and increase its social engagement by supporting charities via sponsoring, patronage, organising or supporting benefit campaigns, or by stimulating social employment. In 2019, Kinepolis supported various projects, such as Rode Neuzen (Red Noses), KickCancer, Minor-NDAKO, the '1000 km of Kom op tegen Kanker (Stand Up to Cancer)', the 'Warmest Week' and the climate initiative 'Sign for my Future' in Belgium, the Cadena 100 cancer benefit in Spain, the Stichting Bio (Bio Foundation) in the Netherlands, 'Le Secours populaire' in France and Kids Help Phone in Canada.



Kinepolis schools programme



Kinepolis Toy Story campaign for 'Le Secours Populaire' (FR)

*Supporting charities*





Kinepolis supports Stichting Bio (NL)



Landmark Cinemas supports Kids Help Phone

#### **TOY STORY 4 CAMPAIGN FOR THE BENEFIT OF 'LE SECOURS POPULAIRE'**

In 2019, Kinepolis France supported 'Le Secours populaire' with various promotions throughout the year. During the summer, Disney and Kinepolis teamed up on the occasion of the release of Toy Story 4. A Toy Story camper van that visited seven Kinepolis cinemas across the country highlighted the holiday campaign of Le Secours Populaire, to remind the public that 1 in 3 children never goes on holiday. Each day that the camper van visited a cinema, € 1 for each Toy Story 4 ticket bought in the respective cinema was donated to Le Secours Populaire as part of the 'Journées des oubliés de vacances'. Both Disney and Kinepolis also distributed the promotional spot for this campaign through their channels. In this way, Kinepolis and Disney managed to give 500 children a great holiday. Kinepolis France also organised an event at Christmas for the benefit of Le Secours Populaire, this time to give 300 children a magical Christmas. During the 'Journée Ciné solidaire' on December 24, € 0.5 per ticket sold in all French Kinepolis cinemas went to the 'Pères Noël verts' campaign of Le Secours Populaire.

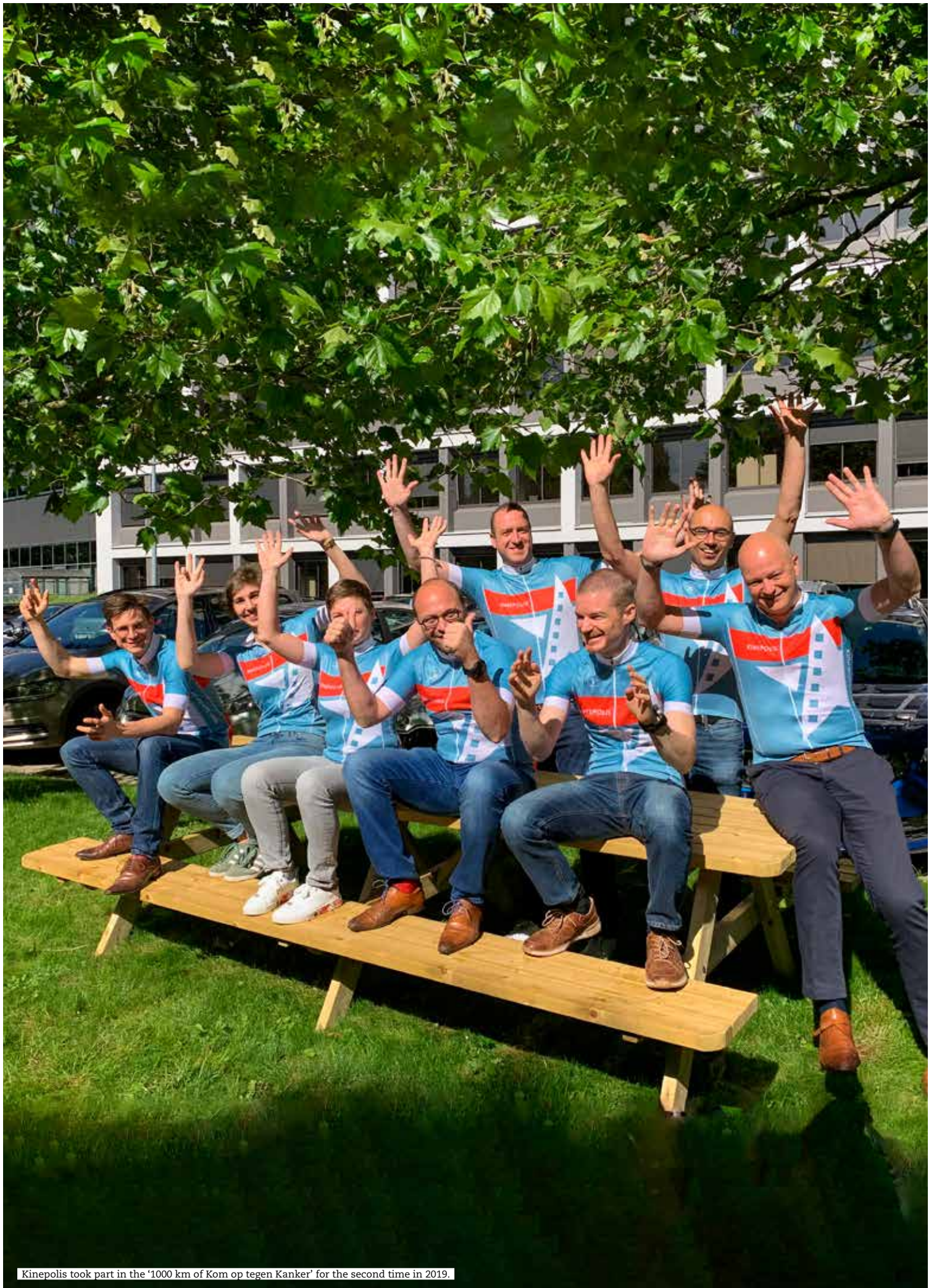
#### **KINEPOLIS NETHERLANDS SUPPORTS STICHTING BIO**

Since 2019, Kinepolis Netherlands has been making it easy for everyone to donate to the Stichting Bio (Bio Foundation). At all 18 locations, visitors at the ticket and shop cash desks can choose themselves whether to round up their purchase amount by simply donating their 'change' to Bio via Kinepolis.

Stichting Bio was founded by the Dutch cinema industry in 1927 and owes its name to it. The Foundation is committed to offering children with disabilities a relaxing holiday, such as in the Bio Vakantieoord in Arnhem. Campaigns are also occasionally organised around a specific film, with part of the income going to this charity.

#### **LANDMARK PARTNER OF KIDS HELP PHONE**

For many years, Landmark Cinemas has been a loyal partner of Kids Help Phone, Canada's only national helpline that is providing professional support and information to young people 24/7. Landmark supports the organisation through cinema promotions and fund-raising, culminating in the Spring Movie Break programme and national sponsorship of the 'Walk So Kids Can Talk', a national event that takes place annually in May. With the help of movie lovers, Landmark Cinemas donated 130 000 Canadian dollars in 2019 to promote the mental health and well-being of young people across Canada. Landmark also supported Kids Help Phone initiatives through screen and web advertising worth 340 000 Canadian dollars.



Kinepolis took part in the '1000 km of Kom op tegen Kanker' for the second time in 2019.

# Our people

Every day, 4 600 employees are committed to providing millions of moviegoers with an unforgettable movie experience.

Kinepolis is aware that the talent and commitment of its employees is the driving force behind its success.



## OUR HR POLICY: 'PLUS EST EN NOUS'

The 'Ultimate Movie Experience' begins and ends with the people who make their contribution every day, in front of and behind the screens. Kinepolis therefore aims for sustainable growth by attracting, nurturing and developing talent. The Kinepolis Human Capital policy focuses on:

- attracting competent employees with the right attitude, in line with the behavioural values of Kinepolis;
- retaining and developing committed and motivated talents by creating an optimal working environment, in which:
  - Everyone is able to optimally use and develop his or her talents;
  - The Kinepolis values are put into daily practice;
  - Opportunities for further growth are offered at a personal and/or professional level;
  - Each employee can contribute to the further development of the company and its products.

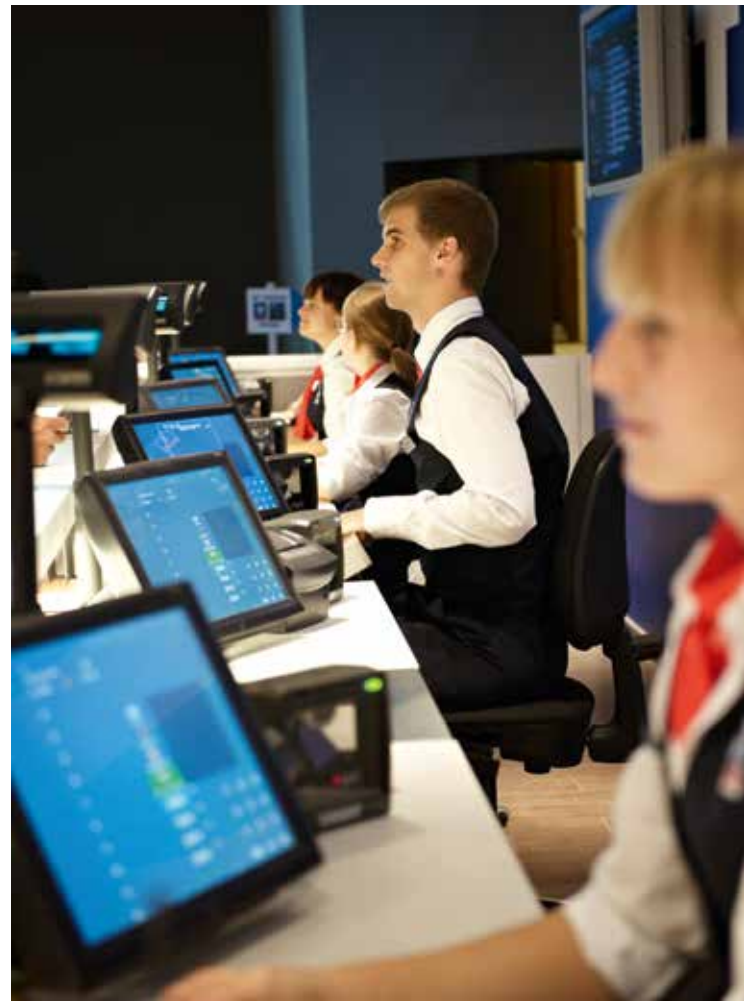


*'Plus est en Nous'*

Employee participation and entrepreneurship are stimulated to the maximum and are facilitated in two ways:

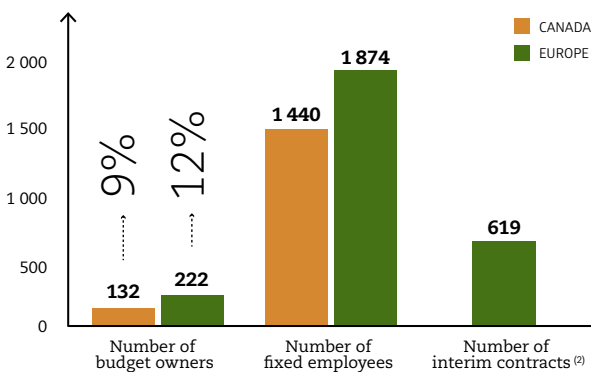
- Kinopolis wants to be a 'self-learning' organisation, by giving as many people as possible responsibility for departmental targets and budgets, and encouraging them to show initiative and learn from each other.
- Regardless of their level in the organisation, employees are encouraged to constantly question accepted wisdom, to actively listen to customers, to think outside the box and to show initiative and enterprise in their job and beyond. In this way, Kinopolis wants to be, next to a self-learning organisation, a 'self-innovating' organisation as well. The Kinopolis Innovation Lab was set up in this context in 2016 (see further).

By enabling its employees to internalise the self-learning and self-innovating corporate culture and to create a working environment that facilitates the development of talent, Kinopolis aspires to get the best out of its employees under the motto 'Plus est en nous'.



## KPI

### NUMBER OF 'BUDGET OWNERS' IN RELATION TO THE TOTAL NUMBER OF EMPLOYEES IN 2019 <sup>(1)</sup>



<sup>(1)</sup> Excluding MJR Digital Cinemas

<sup>(2)</sup> Students in Belgium, employed via Randstad

### EVALUATION OF OUR POLICY

Kinopolis wants to give as many employees as possible responsibility for departmental targets and budgets, enabling them to actively contribute to the continuous improvement of Kinopolis' business operations. This bottom-up approach is part of the DNA of Kinopolis, and is illustrated by the number of 'budget owners' in relation to the total number of employees.

2019 was the first year in which all the Canadian cinema teams participated in the 5% exercise (the improvement plan for 2020) after the principle of budget ownership was introduced in all the cinemas. In this way, the Landmark teams, like their European Kinopolis colleagues, also looked for improvement potential themselves, using the processes, reporting and KPIs provided by Kinopolis. The theatre managers involved now fully understand Kinopolis' strategy and self-learning corporate culture and are enthusiastic about their 2020 plans, which incorporate their own innovative ideas, as well as best practices from Europe.

*Kinepolis values*



## KINEPOLIS VALUES

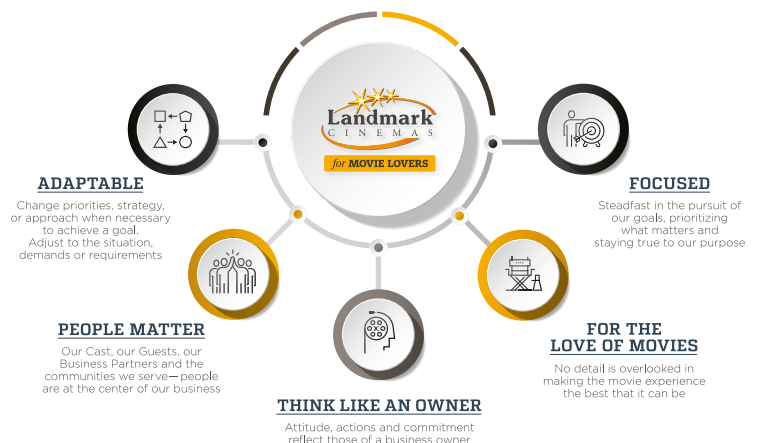
'Client Focus', 'Teamwork', 'Operational Excellence', 'Flexibility' and 'Hands-On' are the behavioural values that every Kinepolis employee works hard to put into practice. Putting the customer first, working together constructively with a common goal in mind, performing your job correctly and efficiently, dealing flexibly with changes and with a sense of initiative and entrepreneurship: everyone is expected to implement each of these aspects individually and as a team. Kinepolis uses a 'Hire for attitude' policy for new recruitments: the right attitude is more important than the right diploma. Kinepolis is prepared to invest more in the training of new employees, as long as the behaviour and attitude of the candidates are in line with the values of the company.

The Landmark core values fit seamlessly with these Kinepolis values, but have a different form and formulation today.

## PEOPLE SATISFACTION INDEX

Kinepolis measures employee satisfaction every year by means of a People Satisfaction Index (PSI) survey. In Canada, this is called the Employee Engagement Survey, or EES. Employees are invited, completely anonymously, to share their experience of Kinepolis (or Landmark) as an employer, indicating what they like and what they feel could be improved. The results are then discussed with the team, and translated into concrete actions. In 2019, 85% of European Kinepolis employees participated in the survey, an increase of 3 percentage points compared to 2018, and the overall satisfaction improved slightly from an already very high level of satisfaction in the previous year. 97% of the employees in Canada took part in the Engagement Survey.

*Landmark core values*



## The five statements that were given the **highest scores** in Europe (PSI) in 2019 are:



1. My direct line manager is available for me



2. I am able to work in a customer-friendly way



3. I know what's expected of me



4. I have confidence in the future of Kinepolis



5. It is pleasant at work, I experience a positive atmosphere

## The five statements that were given the **highest scores** in Canada (EES) are:



1. I feel myself valued and respected as an employee of LMC



2. I'm happy to come to work, there's a positive, friendly atmosphere



3. I have confidence in my managers



4. I have had an assessment interview in the last 12 months



5. I have all the means I need to carry out my job well

### KINEPOLIS ACADEMY

Training – for every employee – is another important aspect of the Human Capital policy. The 'Kinopolis Academy' helps employees develop their personal skills, including through e-learning. Many training courses are organised on the work floor, with more senior employees assuming a coaching role to help new employees during their on-boarding process. There are also personal coaching programmes for managers, and 'Insights Discovery' training courses have been organised for teams since 2017. A total of 19 Insights training courses were given to teams in Belgium, the Netherlands and France in 2019.

An updated digital 'Kinopolis Academy' was introduced in Europe in 2019, with various new e-learning modules and training programmes at various levels (Star(t)s, Professional, Lead and Develop).



#### HELLO NEW STAR(T) DAY

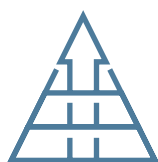
New employees at the head office in Ghent (BE) get to know each other and the various Kinopolis departments during the 'Hello New Star(t)' day, which is organised once a quarter.

Star(t)s training courses relate to general modules for new employees (e.g. Safety, K-Values, GDPR), the 'Professional' module contains job-specific training, 'Lead' offers training for novice and experienced managers, and 'Develop' focuses on personal development needs, such as language training or an individual coaching process. In 2019, more than 1 200 e-learnings were being followed on the new platform, which only gives a limited picture given the phased roll-out in the various countries. More complete reporting will be possible from 2020.

In 2019, Landmark focused on an updated Health & Safety training course for its employees, and a new training course for employees who serve alcohol to visitors during their work. Landmark's senior leadership team participated in a leadership development programme in 2019 and – after a positive evaluation – decided to expand this further in 2020.

## TALENT FACTORY

Every Kinopolis employee has a formal assesment interview meeting with his or her manager at least once a year. The performance of the person concerned is assessed, and personal objectives for the coming year are discussed. Employees and managers are coached and encouraged to conduct this discussion openly and to discuss both short- and long-term ambitions and development needs.



**46**

**KINEPOLIS EMPLOYEES  
HAVE RECEIVED  
PROMOTIONS IN 2019  
(BENELUX & SPAIN)**

**M / F**



**48%**

**52%**

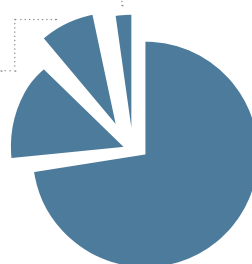


**AGE  
DISTRIBUTION <sup>(1)</sup>**

**2%**  
+ 55 Y

**7%**  
45-55 Y

**17%**  
31-44 Y



(1) In Canada, which represents a large volume of employees, 84.7% of the employees are under 31 years of age.



### TALENT ON THE MOVE

*Erwin Six*



After 12 years of operational experience in Kinopolis Brussels and Braine-L'Alleud, and 3 years of project management at the start-up of Kinopolis Netherlands, Erwin Six moved to MJR Digital Cinemas in Michigan (USA) in December 2019. With his extensive Kinopolis experience, he will assist the US team as Integration Support Manager. In this new role, Erwin will supervise the integration of the recently acquired American group, a fine example of how personal development can be in line with the growth and further development of the organisation.

### TALENT ON THE MOVE

*Kelly Ruel-Allen*



In 2019, Kelly Ruel-Allen was promoted to Theatre Manager of the Landmark Cinema in St. Catharine (Pen Centre Mall, Canada). Kelly was previously responsible for In-theatre Sales and is taking along her 25 years of experience from previous positions within the food & beverage sector.

*Chris Ciolfi*

Chris Ciolfi started his career tearing tickets in the same cinema (St. Catharine), and then worked in various positions in different Landmark cinemas. After a period as Theatre Manager at Landmark 6 Hamilton, he took on the role of Regional Operations Support Manager in 2019, where he supports various Landmark cinemas using his operational knowledge and experience.



Under the name ‘Talent Factory’, Kinopolis offers a framework and toolset to identify and coach talents and as such, further develop its human capital. Talents within the company are identified with an eye to development and promotion possibilities, and job opportunities are always communicated internally. After all, internal mobility leads to greater employee engagement and employability. ‘Talent reviews’ are organised with managers throughout the year in order to identify and highlight the talent and development of their employees. In open dialogue with their line managers, employees are encouraged to give their input regarding their own career. Kinopolis wants to highlight internal mobility, with the aim of motivating and inspiring employees, through an internal communication series ‘Talent on the Move’.

## SELF-LEARNING ORGANISATION

In its day-to-day operations, Kinopolis creates and stimulates learning networks through its so-called ‘operating reviews’, among other things. Here, employees in similar functions but from different cinemas talk to each other in order to gain new insights and to learn from each other. In this way, Kinopolis invests in a work environment that revolves around feedback and entrepreneurship.

As stated previously, a new organisational structure has also been implemented in Canada, as a basis for introducing and facilitating the self-learning corporate culture of Kinopolis.



Landmark team at the opening of the cinema in Regina in October 2019.



*Annual ceremony*

## SELF-INNOVATING ORGANISATION

With the introduction of the Kinopolis Innovation Lab, which encourages employees to submit innovative ideas and to then work them out together with a project team, Kinopolis aims to be both a self-learning and a self-innovating organisation. Everyone at Kinopolis – from student to manager – is encouraged to think outside the box and to dare to be ‘entrepreneurial’. Every quarter, the best ideas are selected by an Innovation Lab jury, and teams are put together to flesh them out and implement them. In this way, the Innovation Lab also ensures that employees collaborate more across departments.

‘Innovation Awards’ are presented for the best ideas each year. And even when a project proves unsuccessful, the initiator is rewarded with an entrepreneur bonus. The Innovation Lab has not yet been introduced in Canada, but it is planned for a later stage.

## HEALTH AND SAFETY OF EMPLOYEES

Kinopolis has always been committed to ensuring a safe working environment and takes appropriate measures to ensure that all activities, such as replacing projector lamps and maintenance work on technical installations and screens, are carried out as safely as possible.

In addition, Kinopolis offers its employees the possibility of an annual flu vaccination. The head office in Ghent is currently being renovated with a view to further optimising the working environment for the growing organisation.

## CONSTRUCTIVE DIALOGUE WITH SOCIAL PARTNERS

Based on the governance framework, Kinopolis aims to achieve a social dialogue and a long-term relationship with its employees and/or involved external employee organisations in all countries. In consultation with the social partners, Kinopolis wants to find the best solution(s) for both employees and the company in the field of social dialogue, social relations and safety, with due consideration for the legal obligations. An example of this is the flexible remuneration system developed for Belgian employees in response to the index rise in 2017.

## DIVERSITY

Kinopolis has respect for the individuality of each of its employees and is committed to giving everyone equal opportunities. Kinopolis endeavours to mirror the diversity of society in its workforce, with regard to age, gender, origin and so on.

## KINEPOLIS AS THE FIRST WORK EXPERIENCE FOR STUDENTS

Kinopolis employed 1 240 students in Belgium in 2019. These students commit themselves to work in the cinema on at least one weekday and one weekend day per week. The duties vary: from working at the cash desk or in the shop, through cleaning to coordinating events. Kinopolis thereby provides hundreds of young people with a first work experience and guides them in acquiring many professional skills, such as working in a team and bearing responsibility. Many of them stay with Kinopolis for years and there are numerous examples of students who have signed a permanent contract and have a rewarding career at Kinopolis.

## Testimonials



### STUDENT AT KINEPOLIS ANTWERP MASOUDY ANISSA



"It's a job with lots of variety and the atmosphere on the work floor is always good and pleasant. You work in a team and everyone helps everyone where necessary."



### STUDENT AT KINEPOLIS ANTWERP MEHIC SEJL



"The cooperation within Kinepolis is always good. You get to know many great colleagues and you never have the feeling that you're on your own. There are also some nice friendships, and the work is pleasant, because there's a lot of variation. The big advantage is that we can choose our days off ourselves and the communication runs smoothly. If a problem arises, it's resolved very quickly."



Kinepolis as first work experience for students



Kinepolis s-Hertogenbosch (NL)

# Care for the environment



Kinepolis seeks to limit its environmental footprint as much as possible by means of its 'Green Star' policy (introduced in 2011).

## GREEN STAR POLICY

The Kinepolis 'Green Star' policy is based on the following principles:

- A sustainable design and execution of new construction projects;
- Sustainable renovation of existing cinemas;
- The application of water- and energy-saving techniques;
- Sustainable cinema technology;
- The promotion of mobile ticketing and the pursuit of a ticketless customer journey;
- Limiting waste and raising awareness about waste sorting.

The main objective of the above-mentioned policy measures is to systematically optimise, or at least hold the level of energy consumption in check. As a Key Performance Indicator, Kinepolis has been measuring the evolution of the energy consumption within the Group (expressed in kWh/m<sup>2</sup>) since 2019. Reporting for 2019 is limited to Kinepolis Europe. Full reporting including Landmark Cinemas Canada is expected from 2020.

In support of the above policy, Kinepolis has recently engaged an external consultant, who will exclusively deal with energy audits and further optimisation of the energy consumption of the Group.

## KPI

### ENERGY CONSUMPTION OF KINEPOLIS GROUP<sup>(1)</sup> IN 2019

| In kWh/m <sup>2</sup> | 2017   | 2018   | 2019                  |
|-----------------------|--------|--------|-----------------------|
| Belgium               | 171.55 | 169.95 | 160.92                |
| The Netherlands       | N/A    | N/A    | 158.17                |
| France                | N/A    | N/A    | 162.88                |
| Spain                 | 101.43 | 99.60  | 107.24 <sup>(2)</sup> |
| Luxembourg            | N/A    | N/A    | 192.30                |

<sup>(1)</sup> Excluding Landmark Cinemas Canada and MJR

<sup>(2)</sup> The increase is explained by the addition of El Punt cinemas, with lower energy performance.

## SUSTAINABLE REAL ESTATE

In addition to the comfort of visitors and employees, the green parameters are also central elements in both the design of new complexes and the renovation of existing ones. Kinepolis aims to minimise its ecological footprint through its choice of energy sources and building materials.

The following Green Star principles are applied for new-build projects:

- The use of certified materials and techniques with a limited ecological impact;
- Adaptation of systems to sustainable sources of energy, such as geothermal heating systems in Utrecht, Dordrecht and 's-Hertogenbosch;
- Where possible, cinema complexes are supplied with renewable energy (by entering into green power contracts);
- Standard choice for LED lighting;
- Simplicity of maintenance, an important factor in the total cost of ownership (sum of construction plus operating costs);
- Focus on multifunctional spaces for various types of use, without major alterations;
- Efficient wall and roof insulation;
- Aiming to obtain a sustainability certificate for new-build projects (such as GPR in the Netherlands);
- Installing water-saving technology in sanitary areas.

Renovations are often the ideal opportunity to implement additional measures, such as:

- The installation of additional insulation during roofing work;
- The insulation of the parking spaces under the theatres;
- The use of water-permeable asphalt when renovating parking lots in order to take advantage of the absorption capacity of the soil;
- The installation of rainwater tanks for the collection of surface water (e.g. the installation of a rainwater collector with a capacity of 60 000 litres in the underground car park of Kinopolis Leuven in 2019);
- The installation of updated control systems for heating and cooling (for example, BaOpt and Optivolt);
- Replacing the existing floors in our shops with Gerfloor, a 100% recyclable PVC flooring that is free from formaldehyde;
- Installation of water-saving technology in sanitary areas.



### **GPR CERTIFICATION FOR NEW CINEMAS**

Kinepolis is aiming for GPR certification for all new-build projects in the Netherlands. GPR provides an insight into the sustainability of real estate, based on five criteria: Energy, Environment, Health, Quality of Use and Future Value. Each aspect is graded from 1 to 10, and the CO<sub>2</sub> emission is also measured. Kinepolis Dordrecht (which opened in 2016) and Kinepolis 's-Hertogenbosch (which opened in 2018) presented an excellent report in all areas and received GPR certification.

### **SOLAR PANELS FOR KINEPOLIS 'S-HERTOGENBOSCH AND KINEPOLIS BRAINE-L'ALLEUD**

Kinepolis 's-Hertogenbosch has had a photovoltaic installation since the beginning of 2019. Solar panels were also installed on the roof of Kinepolis Braine-L'Alleud in the first quarter of 2020. This installation will lead to estimated energy savings for the involved cinema complexes of 20 to 25%. The installation of solar panels will also be evaluated for other cinemas, where appropriate (an evaluation is ongoing for the cinemas in Breda, Utrecht, Madrid and Granada, among others).

### **APPLICATION OF ADVANCED ENERGY-SAVING TECHNIQUES**

Kinepolis has been able to reduce power consumption year after year through the intensive monitoring and adjustment of its technical systems. Kinepolis systematically measures and assesses power consumption in its cinemas and, where possible, takes steps to reduce the consumption further. In Kinepolis Dordrecht and Kinepolis 's-Hertogenbosch, for example, the air treatment installation was fitted with a frequency-controlled variable pressure system. This is a revolutionary control technology that achieves a much more natural and pleasant indoor climate, while consuming up to 40% less energy compared to traditional air-conditioning systems. Kinepolis will now opt for this technique as standard for new-build cinemas.

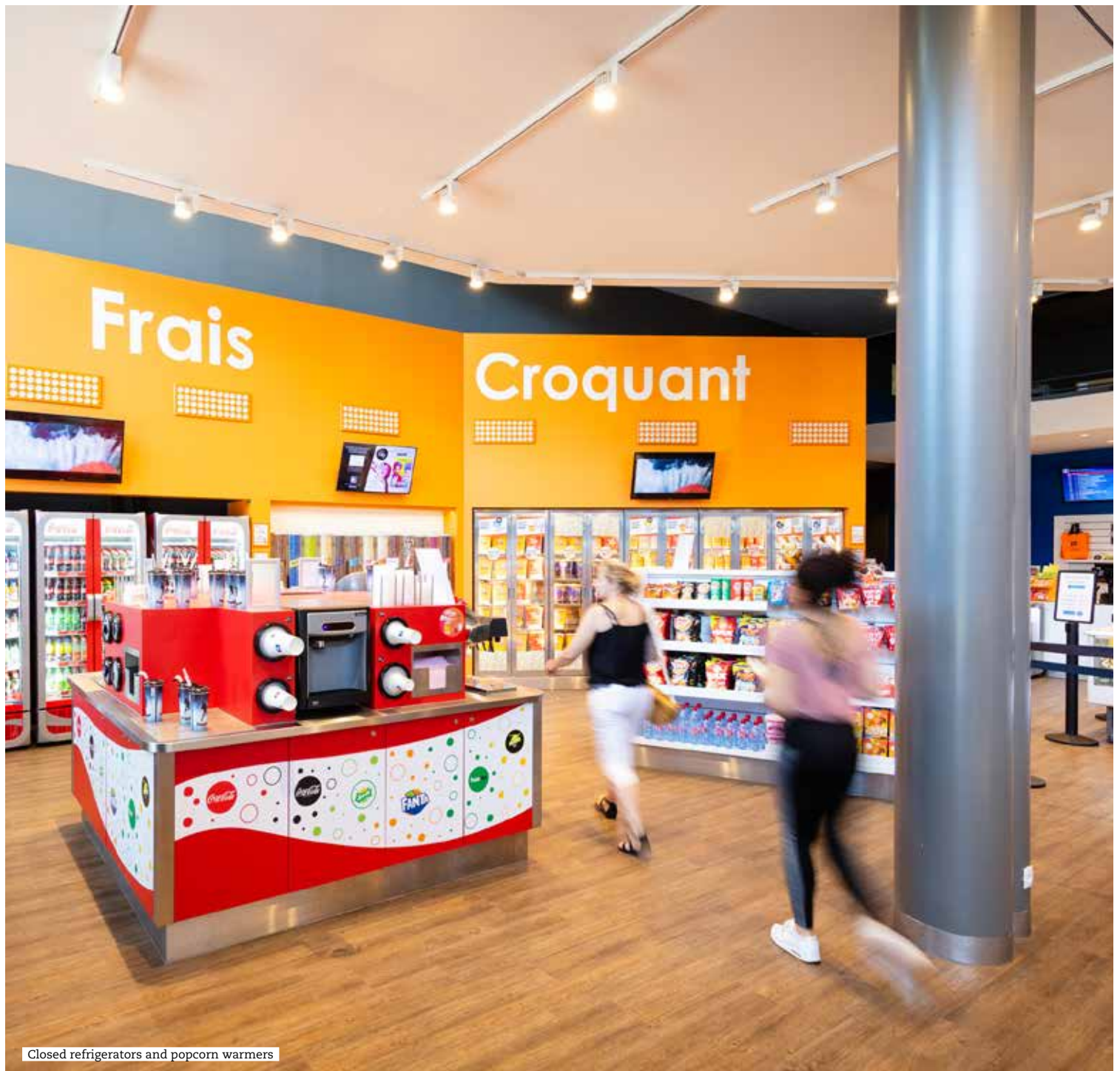


### **OPTIVOLT**

In January 2017, Kinepolis used the Optivolt systems for the first time to reduce power consumption at Kinepolis Antwerp by eliminating inefficient power consumption. After a positive evaluation, almost all Belgian and several Dutch Kinepolis cinemas were equipped with, among others, Optivolt V-Liners en Multiliners in 2017 and 2018. Optivolt works together with engineers to ensure that the control systems in existing buildings work as efficiently as possible and neutralise the peaks in power consumption. A significant reduction in power consumption can be achieved by setting up the systems to work efficiently, paying particular attention to the interactions between them. Peak capacities have thereby been reduced by around 20%.

In addition, Kinepolis has been deploying Optivolt energy-saving systems in Belgium and the Netherlands since the beginning of 2017 (see box). The roll-out of Optivolt in French cinemas (Nîmes and Lomme) started in 2019. Similar systems were already installed in all cinemas in Spain in 2018, albeit working together with another supplier.

In Canada, the Landmark team started implementing several energy-saving measures in 2019, and these will be rolled out further in 2020. These include switching to LED lighting, presence sensors, variable-speed HVAC drives and better building automation and control systems. The above-mentioned measures have already been implemented in most, if not all, European cinema complexes; these are practices that have now become common in Europe.



Closed refrigerators and popcorn warmers

Kinepolis continues to look for ways to reduce its energy consumption. For instance, the heat generated in the projection booths is being used to heat the foyers, where possible. Another example is the switch from open to closed popcorn warmers. Closed popcorn warmers consume between 30% and 60% less power than open ones. Kinepolis has replaced dozens of popcorn warmers every year since 2017. Some 30 open popcorn warmers were also replaced by the closed version in 2019.

#### **SAVING WATER**

Kinepolis is also mindful of its water consumption, and is implementing various measures to reduce water consumption and prevent waste. Ipee technology was installed in the toilets at several cinema complexes, for instance. These are smart sensors that adjust the flushing after every use, in order to ensure optimal hygiene without wasting water. In recent years, Kinepolis has also replaced the traditional washbasins in most complexes with automatic, water-efficient taps based on optical detection.



## SUSTAINABLE TECHNOLOGY

### LASER PROJECTION

An important step in the sustainability policy of Kinepolis was the digitisation of the projection systems. This technological evolution has made the chemical production of film celluloid and the transport of voluminous film rolls redundant. Projection technology has taken a step further in the meantime, and Kinepolis has opted for laser projection overall. In June 2018, the cinema group signed an agreement with Cinionic, Barco's cinema joint venture, to equip approx. 300 screens with Barco laser projection by 2021. This includes both installations in new-build cinemas and replacements of older models in existing complexes.

Laser projectors guarantee sublime image quality while also using 30 to 40% less energy than xenon lamp projectors. Moreover, the absence of lamps also reduces the need for cooling, and lamp replacement is, of course, now a thing of the past.



Mobile ticketing



Laser projectors in Kinepolis Breda (NL)

At the end of 2019, Kinepolis had more than 200 screens with laser projection, providing an energy saving of 1.8 MWh on an annual basis. Due to the relatively new projection systems in the Landmark cinemas, we have not yet proceeded with a broad replacement of the current projection systems with laser projectors in Canada. The cinemas that were newly opened in 2019, however, are fully equipped with lasers, including a laser ULTRA screen.

### ONLINE AND MOBILE TICKETING

The increasing importance of online and mobile ticket sales also reduces the ecological impact of operations. Some years ago, Kinepolis was one of the first cinema operators to introduce numbered and reserved seating, thereby stimulating the sales of online tickets. 42% of the tickets are purchased online or via the app in Europe, and 55% in Canada. With mobile ticketing, customers can purchase tickets on their smartphone or tablet, and don't need to print them out to go to the cinema. Customers who purchase tickets at the ticket machines in European cinemas can also enter without a printed ticket.



Landmark Cinemas ticket machines

## WASTE SORTING

Kinepolis has always made efforts to limit waste and to ensure the specialised removal of waste flows.

The company tries to minimise waste wherever possible. One example of this is the replacement of the automatic hand-towel rolls in sanitary areas with electrical drying systems. When seats are renovated, the cushions are only replaced if worn. Where possible, they are covered with new fabric.

In addition, visitors are constantly asked to pre-sort their waste. Separate receptacles at the entrances and exits of the theatres, and in the foyer, facilitate this waste collection, which is picked up and processed by specialised companies. Information on waste sorting is repeated in the pre-show (screen announcements ahead of the film). The rules and the recycling possibilities vary from country to country. In Canada, for example, a distinction is currently only made between paper/cardboard and other waste.



Waste-sorting campaign



### WASTE SORTING TRIAL PROJECT TOGETHER WITH FOST PLUS

Fost Plus has been working with Kinepolis Belgium for many years to sort waste within the walls of cinema complexes and theatres. No less than 54 tons of PMD were selectively collected in 2018. As part of a test project at the end of October 2019, the selective collection of PMD was extended to the outdoor environment, namely the cinema car parks, in Hasselt. At the exits and in the parking lot, visitors are reminded of the need to sort their waste.

If the results of this project are positive, there will be an extension to the other locations. Test projects are also ongoing for the separate collection of PET in the Netherlands (in Emmen and Groningen in 2019), in collaboration with, among others, the Environmental Service Netherlands.

### IN-THEATRE SALES GOES FOR SUSTAINABLE SOLUTIONS

In addition to replacing the open popcorn warmers with the closed version (see earlier), Kinepolis switched to paper drinking straws in its Belgian cinema complexes, and the plastic candy bags were replaced by a paper version. The plastic nacho trays will be replaced by trays made from (fully-compostable) sugar cane in 2020.

In general, at national level, Kinepolis is aiming to enter into partnerships in order to come up with sustainable solutions together. Regular discussion partners include, among others, Coca Cola and waste-processing companies, but also cities and municipalities and sustainability groups. For example, Kinepolis is an active member of the Green Business Club Utrecht Central, which is looking for opportunities to bundle the logistical flows of companies in the station area, and thereby reduce the emissions from trucks.

### CLOSE THE GAP

Kinepolis donates written-off computers, laptops and servers to 'Close the Gap', an organisation that gives such material a second life in developing countries. In this way, we do our part to give as many people as possible access to technology and education. Together with Close the Gap, we ensure that the hardware also returns to Europe afterwards, where it is broken down in an ecological way.



Kinepolis' old IT hardware is given a new life in developing countries, including Malawi (photo), thereby offering young people additional opportunities.

# Integrity in business



## KINEPOLIS ANTI-CORRUPTION AND BRIBERY POLICY

Kinépolis pursues a stringent anti-corruption and bribery policy:

- Kinépolis prohibits the offering and/or payment of bribes to government employees (or the acceptance of such);
- Kinépolis prohibits the direct or indirect offering, promising, payment, demand or acceptance of bribes or other unlawful benefits in order to obtain or retain contracts or illegal advantages. Kinépolis also does not wish to be connected with money laundering in any way whatsoever;
- Kinépolis carries out business exclusively with partners who operate with integrity, and who cannot be associated with fraud in any way.

Kinépolis pursues such a stringent policy based on the conviction that, aside from the unethical aspect, corruption and bribery will ultimately result in irreparable reputational and economic damage to the company and its stakeholders.

### POLICY MEASURES

This policy is explicitly described in the Kinépolis Code of Conduct, which every permanent employee receives when entering employment and is requested to sign. Furthermore, all managers must make a formal declaration every year that they have complied with the stipulations of this code of conduct (including the above policy).

**KPI**  
% OF EMPLOYEES WHO HAVE SIGNED  
THE CODE OF CONDUCT IN 2019 <sup>(1)</sup>

 **100%**

*(1) Attached to the employment contract and signed by every new employee.*

In addition, the Kinepolis management is made particularly aware of the anti-corruption and bribery policy through compulsory training courses on risk management and control measures. Employees are encouraged to immediately report any potential risk situations to their line manager, either making use of the formal 'whistleblower' procedure or not, so that they can be handled appropriately.

Breaches of the Code may lead to sanctions in accordance with the employment regulations and/or laws of the country in question.

## RESPECT FOR HUMAN RIGHTS

Kinepolis endorses the Universal Declaration of Human Rights as adopted by the United Nations and endeavours to comply with it in all aspects of its operational management. On the one hand, these rights are guaranteed by compliance with the laws of the countries in which Kinepolis currently operates, and, in addition, respect for human rights is an important criterion for Kinepolis when seeking and selecting potential partners, suppliers and materials.

Aside from the unethical aspect of such conduct, the failure to respect human rights could cause irreparable reputational and economic damage to the company and its stakeholders.



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Creation: [www.astrix.be](http://www.astrix.be)

This report is available in English, French and Dutch.





2019

KINEPOLIS GROUP SUSTAINABILITY REPORT



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[WWW.KINEPOLIS.COM/CORPORATE](http://WWW.KINEPOLIS.COM/CORPORATE)





FINANCIAL REPORT

2019

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KINEPOLIS GROUP



**PART III**

# FINANCIAL REPORT

**2019**

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KINEPOLIS GROUP

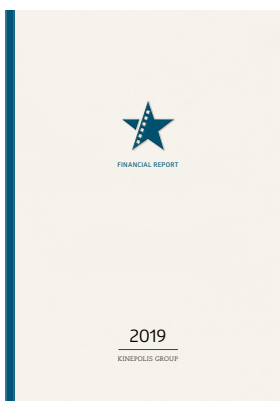
This Financial Report is a component of the Kinopolis Group Annual Report for 2019, which consists of three parts:



**PART I**  
COMPANY REPORT



**PART II**  
SUSTAINABILITY REPORT



**PART III**  
FINANCIAL REPORT

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# Key figures and ratios

## KEY FIGURES

Reconciliations, glossary and APMs on pages 116-120

| NUMBER OF COMPLEXES <sup>(1) (2)</sup> | BELGIUM | FRANCE | CANADA | SPAIN | THE NETHERLANDS | USA | LUXEMBOURG | OTHERS (POLAND, SWITZERLAND) | TOTAL |
|--|---------|--------|--------|-------|-----------------|-----|------------|------------------------------|-------|
| 2019                                   | 11      | 13     | 46     | 8     | 18              | 10  | 3          | 2                            | 111   |

| VISITORS (MILLIONS) <sup>(3)</sup> | BELGIUM | FRANCE | CANADA | SPAIN | THE NETHERLANDS | USA | LUXEMBOURG | SWITZERLAND | TOTAL |
|------------------------------------|---------|--------|--------|-------|-----------------|-----|------------|-------------|-------|
| 2018                               | 8.0     | 6.6    | 11.6   | 4.3   | 4.1             |     | 0.9        | 0.1         | 35.6  |
| 2019                               | 8.1     | 7.4    | 11.7   | 6.2   | 4.5             | 1.4 | 1.0        | 0.1         | 40.3  |
| 2019 compared to 2018              | 1.6%    | 12.5%  | 0.3%   | 43.6% | 11.1%           |     | 6.4%       | 3.8%        | 13.3% |

| CONSOLIDATED INCOME STATEMENT (IN '000 €)    | 2015    | 2016    | 2017    | 2018    | 2019 <sup>(4)</sup> |
|--|---------|---------|---------|---------|---------------------|
| Revenue                                      | 301 571 | 324 938 | 355 427 | 475 880 | 551 482             |
| EBITDA                                       | 88 739  | 91 650  | 103 186 | 117 187 | 172 339             |
| Adjusted EBITDA                              | 90 958  | 94 574  | 104 292 | 118 999 | 174 148             |
| Adjusted EBITDA excl. IFRS 16 <sup>(8)</sup> | 90 958  | 94 574  | 104 292 | 118 999 | 146 843             |
| Gross profit                                 | 99 578  | 100 209 | 113 395 | 130 229 | 157 596             |
| Operating profit                             | 65 245  | 63 207  | 72 915  | 79 130  | 101 037             |
| Financial result                             | -7 754  | -7 619  | -8 213  | -12 371 | -23 726             |
| Profit before tax                            | 57 491  | 55 588  | 64 702  | 66 759  | 77 311              |
| Profit                                       | 32 255  | 47 646  | 49 067  | 47 409  | 54 372              |
| Adjusted profit                              | 43 207  | 40 413  | 44 745  | 47 522  | 56 003              |

| ANNUAL GROWTH RATES                          | 2015  | 2016  | 2017  | 2018  | 2019 <sup>(4)</sup> |
|--|-------|-------|-------|-------|---------------------|
| Revenue                                      | 14.8% | 7.7%  | 9.4%  | 33.9% | 15.9%               |
| EBITDA                                       | 24.5% | 3.3%  | 12.6% | 13.6% | 47.1%               |
| Adjusted EBITDA                              | 22.5% | 4.0%  | 10.3% | 14.1% | 46.3%               |
| Adjusted EBITDA excl. IFRS 16 <sup>(8)</sup> | 22.5% | 4.0%  | 10.3% | 14.1% | 23.4%               |
| Gross profit                                 | 21.7% | 0.6%  | 13.2% | 14.8% | 21.0%               |
| Operating profit                             | 28.8% | -3.1% | 15.4% | 8.5%  | 27.7%               |
| Profit                                       | -8.3% | 47.7% | 3.0%  | -3.4% | 14.7%               |
| Adjusted profit                              | 21.4% | -6.5% | 10.7% | 6.2%  | 17.8%               |

| CONSOLIDATED BALANCE SHEET (IN '000 €)  | 2015           | 2016           | 2017           | 2018           | 2019 <sup>(5)</sup> |
|---|----------------|----------------|----------------|----------------|---------------------|
| Non-current assets                      | 392 075        | 424 122        | 514 518        | 558 150        | 1 149 043           |
| Current assets                          | 98 624         | 79 324         | 206 437        | 122 704        | 134 779             |
| <b>TOTAL ASSETS</b>                     | <b>490 699</b> | <b>503 446</b> | <b>720 955</b> | <b>680 854</b> | <b>1 283 822</b>    |
| Equity                                  | 123 033        | 149 898        | 176 394        | 177 617        | 211 253             |
| Provisions and deferred tax liabilities | 27 029         | 25 531         | 35 849         | 35 640         | 23 728              |
| Non-current loans and borrowings        | 214 000        | 207 278        | 342 106        | 272 677        | 479 513             |
| Non-current lease liabilities           |                |                |                |                | 383 052             |
| Current loans and borrowings            | 8 714          | 6 996          | 39 873         | 69 790         | 10 099              |
| Current lease liabilities               |                |                |                |                | 33 091              |
| Trade and other payables                | 97 090         | 100 160        | 116 466        | 117 516        | 139 848             |
| Others                                  | 20 833         | 13 582         | 10 267         | 7 614          | 3 238               |
| <b>TOTAL EQUITY AND LIABILITIES</b>     | <b>490 699</b> | <b>503 446</b> | <b>720 955</b> | <b>680 854</b> | <b>1 283 822</b>    |

(1) Including Cinema City Poznan (Poland), operated by Cineworld.

(2) Number of cinemas on publication date.

(3) Excluding Cinema City Poznan (Poland).

| DATA PER SHARE <sup>(6)</sup>                | 2015  | 2016  | 2017  | 2018  | 2019 <sup>(4)</sup> |
|--|-------|-------|-------|-------|---------------------|
| Revenue                                      | 11.26 | 11.94 | 13.05 | 17.67 | 20.52               |
| EBITDA                                       | 3.31  | 3.37  | 3.79  | 4.35  | 6.41                |
| Adjusted EBITDA                              | 3.40  | 3.48  | 3.83  | 4.42  | 6.48                |
| Adjusted EBITDA excl. IFRS 16 <sup>(6)</sup> | 3.40  | 3.48  | 3.83  | 4.42  | 5.46                |
| Profit                                       | 1.20  | 1.75  | 1.80  | 1.76  | 2.02                |
| Adjusted profit                              | 1.61  | 1.48  | 1.64  | 1.76  | 2.08                |
| Equity, share of the Group                   | 4.59  | 5.51  | 6.48  | 6.59  | 7.85                |
| Gross dividend <sup>(7)</sup>                | 0.79  | 0.87  | 0.91  | 0.92  |                     |
| Pay-out ratio                                | 50%   | 50%   | 50%   | 52%   |                     |

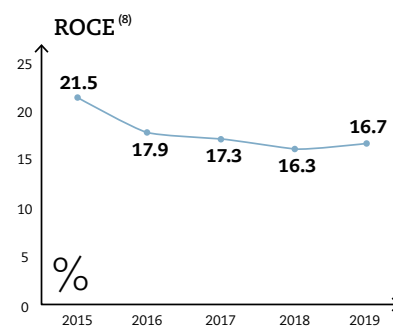
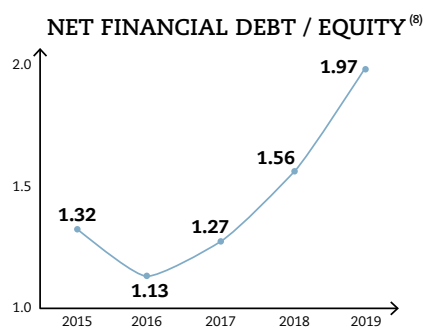
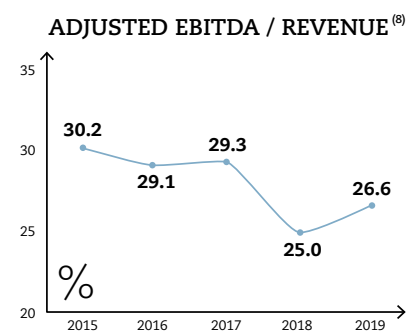
## RATIOS

Reconciliations, glossary and APMs on pages 116-120

| PROFITABILITY RATIOS                                   | 2015  | 2016  | 2017  | 2018  | 2019 <sup>(4)</sup> |
|--|-------|-------|-------|-------|---------------------|
| EBITDA / Revenue                                       | 29.4% | 28.2% | 29.0% | 24.6% | 31.3%               |
| Adjusted EBITDA / Revenue                              | 30.2% | 29.1% | 29.3% | 25.0% | 31.6%               |
| Adjusted EBITDA excl. IFRS 16 <sup>(6)</sup> / Revenue | 30.2% | 29.1% | 29.3% | 25.0% | 26.6%               |
| Gross Profit / Revenue                                 | 33.0% | 30.8% | 31.9% | 27.4% | 28.6%               |
| Operating profit / Revenue                             | 21.6% | 19.5% | 20.5% | 16.6% | 18.3%               |
| Profit / Revenue                                       | 10.7% | 14.7% | 13.8% | 10.0% | 9.9%                |

| FINANCIAL STRUCTURE RATIOS            | 2015    | 2016    | 2017    | 2018    | 2019 <sup>(4) (5)</sup> |
|---------------------------------------|---------|---------|---------|---------|-------------------------|
| Net financial debt                    | 162 008 | 169 751 | 224 310 | 276 818 | 833 093                 |
| Net financial debt / EBITDA           | 1.83    | 1.85    | 2.17    | 2.36    | 4.83                    |
| Net financial debt / Adjusted EBITDA  | 1.78    | 1.79    | 2.15    | 2.33    | 4.78                    |
| Net financial debt / Equity           | 1.32    | 1.13    | 1.27    | 1.56    | 3.94                    |
| Equity / Total equity and liabilities | 25.1%   | 29.8%   | 24.5%   | 26.1%   | 16.5%                   |
| Current Ratio                         | 0.85    | 0.71    | 1.30    | 0.67    | 0.75                    |
| ROCE                                  | 21.5%   | 17.9%   | 17.3%   | 16.3%   | 12.9%                   |

| FINANCIAL STRUCTURE RATIOS EXCL. IFRS 16                      | 2015    | 2016    | 2017    | 2018    | 2019 <sup>(8)</sup> |
|---|---------|---------|---------|---------|---------------------|
| Net financial debt  | 162 008 | 169 751 | 224 310 | 276 818 | 416 950             |
| Net financial debt / EBITDA                                   | 1.83    | 1.85    | 2.17    | 2.36    | 2.87                |
| Net financial debt / Adjusted EBITDA                          | 1.78    | 1.79    | 2.15    | 2.33    | 2.84                |
| Net financial debt / Equity                                   | 1.32    | 1.13    | 1.27    | 1.56    | 1.97                |
| Equity / Total equity and liabilities excl. lease liabilities | 25.1%   | 29.8%   | 24.5%   | 26.1%   | 24.3%               |
| Current Ratio   | 0.85    | 0.71    | 1.30    | 0.67    | 0.92                |
| ROCE  | 21.5%   | 17.9%   | 17.3%   | 16.3%   | 16.7%               |



(4) The Group applied IFRS 16: Leases as of 1 January 2019. Through the application of IFRS 16, the Group realised an increase in EBITDA of an amount of € 273 million and an increase in depreciations and interest costs of € 24.5 million and € 9.4 million, respectively. Consequently, there is a negative impact of € -6.3 million on the net result in 2019. These amounts are all before tax effects. The effect on taxes is € 1.9 million.

(5) As of 31 December 2019, the Group has a lease liability of € 416.1 million and a right-of-use asset of € 397.2 million through the application of IFRS 16.

(6) Calculated based on the weighted average number of shares for the relevant period.

(7) Calculated based on the number of shares eligible for dividend.

(8) Amounts and ratios do not include the impact of the new standard IFRS 16: Leases.





# Share information

The Kinopolis Group share (**ISIN: BE0974274061 / mnemo: KIN**) has been listed on Euronext Brussels since 9 April 1998 under compartment A, (Large Caps) and is on the VLAM21 index list, the IN.flanders index list and the BEL Family index.

## NUMBER OF SHARES

|   | 2015       | 2016       | 2017       | 2018       | 2019       |
|---|------------|------------|------------|------------|------------|
| Number of shares at 31 December                                   | 27 365 197 | 27 365 197 | 27 365 197 | 27 365 197 | 27 365 197 |
| Weighted average number of ordinary shares <sup>(1)</sup>         | 26 782 831 | 27 214 153 | 27 232 851 | 26 936 217 | 26 872 851 |
| Weighted average number of diluted ordinary shares <sup>(2)</sup> | 27 138 627 | 27 249 350 | 27 268 051 | 27 010 648 | 27 084 005 |

## SHARE TRADING

|   | 2015      | 2016      | 2017      | 2018      | 2019      |
|---|-----------|-----------|-----------|-----------|-----------|
| Closing price at 31 December (in €)       | 41.40     | 42.50     | 55.66     | 48.80     | 59.20     |
| Market value at closing price (in '000 €) | 1 132 919 | 1 163 021 | 1 523 147 | 1 335 422 | 1 620 020 |
| Lowest price of the year (in €)           | 32.9      | 35.2      | 42.1      | 42.6      | 45.8      |
| Highest price of the year (in €)          | 41.6      | 42.7      | 61.3      | 61.4      | 62.3      |
| Traded volume per year                    | 7 590 604 | 3 484 211 | 3 891 319 | 4 590 753 | 3 224 004 |
| Average traded volume per day             | 29 651    | 13 557    | 15 260    | 18 059    | 12 643    |

Source: Euronext

## SHARE PRICE AND VOLUME OVER THE LAST 10 YEARS<sup>(3)</sup>



(1) Weighted average number of ordinary shares: average number of outstanding shares – average number of treasury shares.

(2) Weighted average number of diluted ordinary shares: average of number of outstanding shares – average number of treasury shares + number of possible new shares that must be issued under the existing share option plans x dilution effect of the share option plans.

(3) As a consequence of the share split on 1 July 2014, the historical share price has been recalculated (price divided by five).

# Market information

2019 has been an exceptional year for European cinemas. In Europe the visitor number has increased with 4.1%, compared to last year.

This improvement regards both Western Europe (+5.3%) – with an above-average growth rate – and Central-Eastern Europe and the Mediterranean Rim (+1.8%). If we consider the 28 countries of the European Union, the growth rate is 5.1%.

## THE SIX LEADING MARKETS

In terms of tickets sold in 2019, first place goes to Russia which, with 217.6 million (+7.6%), overtakes Europe's historical market leader France. Yet here too, a record result is recorded: 213.3 million spectators (+6.1%). This is its second best performance in the past half century, bettered only in 2011, when 217.2 million spectators were counted.

The territories constituting respectively the fourth, fifth and sixth most important markets in terms of admissions also end the year with a plus sign: Germany grows by 12.6%, recording 118.6 million spectators, Italy grows to 104.5 million (+13.6%), whilst Spain benefits from an increase which, although modest (+3.9%), restores figures to above the 100-million-spectators threshold, last obtained in 2016.

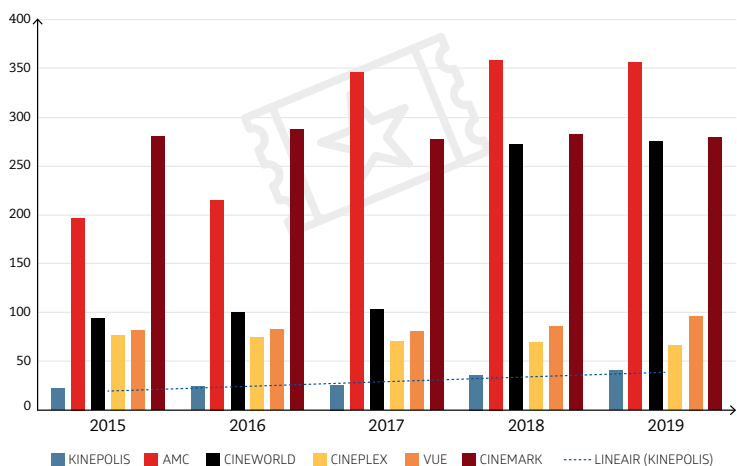
The third European market, the United Kingdom, proves basically stable and, with available estimates pointing to 176 million spectators, would record a 0.6% increase above the extraordinary 2018 result.

## WESTERN EUROPE

Most of Western Europe's markets are marked by this positive trend. The Netherlands boasts an above-average growth rate (+6.5%), obtaining more than 38 million admissions, more than doubling the audiences of the '90. Flattering growth rates are also recorded in Luxembourg (+8.7%), Austria (+5.9%), Switzerland (+5.6%) and Portugal (+5.1%). Growth rates substantially in line with Europe as a whole are to be observed in Belgium (+4% according to the most reliable estimates) and in Finland (+3.8%). Finland is the Northern European country that obtains the best result in 2019, followed by Denmark, which grows by 1.8%, remaining above the 13-million-tickets threshold. Greece records an increase of 2.3%, touching on 10 million admissions.

A counter-trend is instead to be seen in Sweden, suffering from its third consecutive fall in numbers (-2.8%), Norway, which after a positive 2018 producing over 12 million spectators, sees a 6.8% drop, and Iceland, where the first figures available suggest a

## CINEMA-GOING KINEPOLIS GROUP VS PEERS



Source: Mediasalles + National Association of Theatre Owners

decrease of -12.3% compared to the previous year. For the second year in a row, audiences in Ireland decrease (-4.2%), though this is a territory that nonetheless boasts a per capita admissions rate amongst the highest in Europe (around 3 tickets a year per inhabitant).

## CENTRAL-EASTERN EUROPE AND THE MEDITERRANEAN RIM

In this part of Europe where Russia grows by 7.6%, distinctly uneven results are recorded. A decidedly high growth rate (+12.1%) is observed in the Czech Republic, where audiences grow to over 18 million, doubling the figures for the first few years of the twenty-first century. 2019 was also a highly successful year for neighbouring Slovak Republic, which once again easily passes the six-million-spectators threshold (+9.5%). Above-average increases are also recorded in Bosnia Herzegovina (+10.8%), Cyprus (+8.7%), Latvia (+7.9%), Montenegro (+7.7%), the Serb Republic (+6.9%), Croatia (+6.6%) and Georgia (+4.7%). In Bulgaria (+2.4%) and Poland (+2.0%) a more modest growth rate is to be observed. In 2019 Poland recorded over 60 million spectators, doubling the results obtained in the first few years of the new century. With 3.7 million tickets, Estonia betters its 2018 result by 1.5% and manages to gain over a million new spectators over six years.



Together with Russia, these countries obtain around 20 million additional spectators, compared to the previous year.

Nonetheless there remain territories where the trend is reversed and which, overall, lose over 12 million visitors. They include first and foremost Turkey which, after two years with over 70 million spectators, suffers a 15.7% drop, halting its visitor number at 59 million. Next in line are Slovenia (-9.4%), Malta and Hungary, markets where estimates indicate drops of respectively 5% and 3%, Lithuania (-2.9%) and lastly Romania and Ukraine, with declines of respectively 1.6% and 1.1%.

## CINEMA-GOING IN EUROPE

|   | 2015             | 2016             | 2017             | 2018             | 2019 <sup>(1)</sup> |
|---|------------------|------------------|------------------|------------------|---------------------|
| <b>Total admissions in Europe (in '000)</b>           |                  |                  |                  |                  |                     |
| Admissions Western Europe                             | 865 959          | 895 702          | 881 234          | 846 958          | 891 791             |
| Admissions CEE and Mediterranean Rim                  | 344 543          | 406 415          | 447 442          | 443 049          | 450 908             |
| <b>TOTAL</b>  | <b>1 210 502</b> | <b>1 302 117</b> | <b>1 328 676</b> | <b>1 290 007</b> | <b>1 342 699</b>    |
| <b>Gross Box Office Revenue in Europe (in '000 €)</b> |                  |                  |                  |                  |                     |
| Gross BO Revenue Western Europe                       | 6 797 547        | 6 760 584        | 6 673 118        | 6 499 903        | 6 712 100           |
| Gross BO Revenue CEE and Mediterranean Rim            | 1 240 055        | 1 546 630        | 1 650 188        | 1 475 176        | 1 670 300           |
| <b>TOTAL</b>  | <b>8 037 602</b> | <b>8 308 214</b> | <b>8 323 306</b> | <b>7 975 079</b> | <b>8 382 400</b>    |
| <b>Average ticket prices (€)</b>                      |                  |                  |                  |                  |                     |
| ATP Western Europe                                    | 7,85             | 7,55             | 7,57             | 7,67             | 7,53                |
| ATP CEE and Mediterranean Rim                         | 3,60             | 3,81             | 3,69             | 3,33             | 3,70                |
| <b>TOTAL</b>  | <b>6,64</b>      | <b>6,38</b>      | <b>6,26</b>      | <b>6,18</b>      | <b>6,24</b>         |

Source: Mediasalles – The European Cinema Charts + Advance news of Cinema-Going in Europe in 2019 + European Audiovisual Observatory + UNIC  
 (1) All figures stated for 2019 are provisional.

# Discussion of the results

The continued implementation of the Kinopolis business strategy, both in new and existing markets, combined with favourable market conditions in Europe, led to excellent results for the Group in 2019.

Almost all cinemas received significantly more visitors, particularly in the second half of the year, thanks to very successful international blockbusters.

The expansion in the North American market is going according to plan, with a successful roll-out of the business strategy in the Canadian Landmark cinemas, and a further expansion of the activities through the acquisition of MJR Digital Cinemas in the US.

This resulted in a 15.9% increase in revenue for 2019, with 13.3% more visitors and an EBITDA increase of 23.8%, to € 145.0 million, excluding the impact of IFRS 16. Including the impact of IFRS 16, EBITDA amounted to € 172.3 million. Net profit increased by 14.7%, to € 54.4 million. Both the revenue and EBITDA per visitor increased further, thanks to the success of premium cinema experiences and the continued commitment to operational efficiency.



The Lion King (2019)



## VISITORS

Kinepolis received 40.3 million visitors (+13,3%) in 2019, thanks to the acquisition of the American group MJR and the El Punt cinemas in Spain, the opening of new complexes in France and Canada, and organic growth in almost all cinemas, thanks to an outstanding range of films. Blockbusters such as ‘The Lion King’, ‘Avengers: Endgame’, ‘Frozen II’, ‘Joker’ and ‘Star Wars’: The Rise of Skywalker’ ensured an especially strong second half-year, certainly when compared to a rather weak 2018 in Europe. Landmark Cinemas Canada managed to match the previous year’s visitor figure, despite an unfavourable comparison basis due to the fact that 2018 was a very successful Box Office year for the North American market (as opposed to Europe).

The decline in the number of visitors in Belgium during the first half of the year was fully offset by a strong second semester, thanks in part to the success of ‘FC De Kampioenen 4: Viva Boma!’. Spain, France and the Netherlands grew strongly, mainly thanks to the addition of new and acquired cinemas, to the further growth of the cinemas that were opened in recent years and thanks to the organic growth of the market.

The top 5 of 2019 were ‘The Lion King’, ‘Avengers: Endgame’, ‘Frozen II’, ‘Joker’ and ‘Star Wars’: The Rise of Skywalker’. The most successful local films were ‘FC De Kampioenen 4: Viva Boma!’ and ‘The Queen’s Corgi’ in Belgium, ‘Qu’est-ce qu’on a encore fait au Bon Dieu?’ in France and Belgium, ‘Padre no hay más que uno’ in Spain, ‘Verliefd op Cuba’ in the Netherlands, ‘Das Perfekte Geheimnis’ in Luxembourg and ‘Hummingbird Project’ in Canada.



## REVENUE

**Total revenue** in 2019 was € 551.5 million, an increase of 15.9% as compared with 2018. Visitor-related revenue increased by 17.8%, thanks to an increase in sales per visitor in almost all countries, despite the changed country mix, with a lower share by Belgium, a higher share by Spain and the addition of the US.

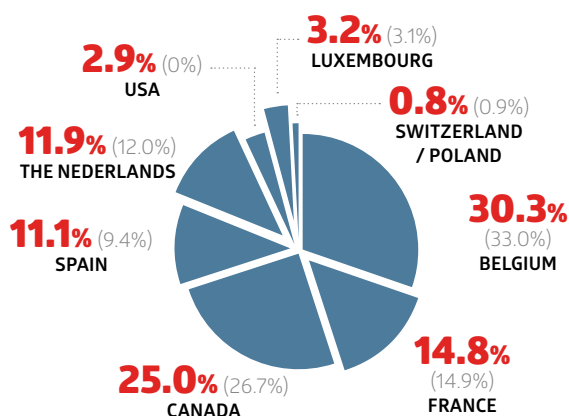
Revenue from Box Office (BO) increased by 17.0% and revenue from the sale of drinks and snacks (Intheatre sales, ITS) increased by 19.4%.

Revenue from B2B increased by 9.7%; Brightfish (the Belgian screen advertising agency) saw its revenue increase by 20.5%. Only revenue from real estate activities and from the Belgian film distribution branch (Kinopolis Film Distribution, KFD) declined, by 1.1% and 30.3% respectively.

The US share relates to the activities of the acquired American MJR cinema group from mid-October 2019. The addition of both the American cinemas and the Spanish El Punt cinemas changes the country mix. Belgium still achieved 30.3% of sales in 2019, while already 27.9% of Group sales were achieved in North America.

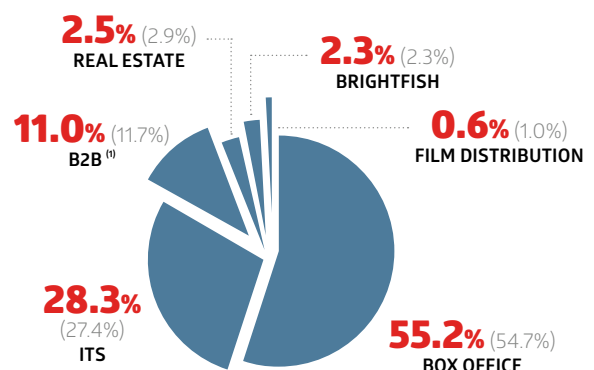
**Box Office revenue** increased by 17.0% to € 304.7 million. BO per visitor increased in almost all countries, thanks to the success of premium products, such as Cosy Seats, Laser ULTRA, 4DX and ScreenX, a higher share of 3D, the growing success of alternative content in all countries and a number of inflation-compensating measures, and this despite the increased weight of Spain and the US in the country mix. After all, these countries have a lower-than-average BO per visitor. Only in Spain BO revenue per visitor decreased, due to the addition of the El Punt cinemas with a lower BO per visitor.

REVENUE IN 2019 (compared to 2018)  
**BY COUNTRY**



**TOTAL 2019: € 551.5 MIO**  
(2018: € 475.9 MIO)

REVENUE IN 2019 (compared to 2018)  
**BY ACTIVITY**



**TOTAL 2019: € 551.5 MIO**  
(2018: € 475.9 MIO)

<sup>(1)</sup> including screen advertising



**In-theatre sales (ITS)** increased by 19.4% to € 155.9 million, thanks to an increase in ITS consumption per visitor in all countries and the addition of the American cinemas, with a higher-than-average ITS consumption per visitor. In almost all countries, we saw more visitors in the shop, who also bought more products. Constant adjustments to the ITS range and the further roll-out of the megacandy concept in a number of cinemas also contributed to the increased ITS revenue.

**B2B revenue** increased by 9.7% due to a strong rise in screen advertising in all countries and the expansion of the Group. The sale of events also increased, as did the number of partner deals.

**Real estate income** decreased by 1.1% due to a decrease in the variable rent in Poland and a number of vacant concessions in Belgium and the Netherlands.

Revenue from **Kinepolis Film Distribution (KFD)** decreased by 30.3%, due to fewer releases as compared to a very successful 2018 (including 'Patser' and 'Niet Schieten').

**Brightfish** saw its revenue rise by 20.5%, thanks to an increase in both national and regional screen advertising, and thanks to more events and partner deals.

## ADJUSTED EBITDA EXCLUDING IFRS 16 IMPACT

The adjusted EBITDA increased by 23.4%, to € 146.8 million. The adjusted EBITDA margin increased from 25.0% to 26.6%, thanks to increased efficiency in all countries combined with a further increase in revenue per visitor. The adjusted EBITDA per visitor increased from € 3.34 to € 3.64. This increase was somewhat tempered by the decrease in Belgium's share in the Group results.

## PROFIT FOR THE FINANCIAL YEAR

The adjusted profit for 2019 amounted to € 56.0 million, an increase of 17.8% as compared to 2018, thanks to increased efficiency combined with a further increase in sales per visitor in all countries, and this despite higher financial costs and depreciation due to investments in newly built complexes and acquisitions.

Total profit amounted to € 54.4 million compared to € 47.4 million in 2018, an increase of 14.7%.

The most important one-off costs and revenue (adjustments) in 2019 were transformation and expansion costs (-€ 2.7 million), the added value of the sale of the offices in the complex in 's Hertogenbosch (+€ 0.9 million), one-off tax effects (+€ 0.4 million) and a number of other items (-€ 1.0 million). The positive tax effect on these adjustments amounted to € 0.8 million.

The most important one-off costs and revenue (adjustments) in 2018 were principally one-off tax effects (+€ 0.7 million), impairment of goodwill (-€ 0.5 million) related to the closing of Nîmes Forum (France) and transformation and expansion costs (-€ 0.3 million).

Net financial costs increased due to the impact of IFRS 16 (+€ 9.35 million) and due to the private placement of bonds amounting to € 225 million in July 2019.

The adjusted effective tax rate remained at 30.2%, the same level as in 2018.

Earnings per share amounted to € 2.02, which is 14.8 % higher than in 2018.



'Market Mall' shop concept in Canada



## FREE CASH FLOW AND NET FINANCIAL DEBT

Free cash flow amounted to € 90.2 million as compared to € 64.8 million in 2018, an increase of € 25.4 million, thanks to the increased operating result and a positive working capital effect, despite more taxes and interest paid and an increase in the maintenance investments.

The free cash flow after expansion investments, dividends and the sale of assets amounted to -€ 147.8 million, partly due to € 173.9 million of investments in external expansion, with the acquisition of MJR in the United States, El Punt in Spain and Arcaplex in the Netherlands. In addition, € 45.3 million was invested in the construction of new complexes, the renovation of acquired cinemas, product innovation and the roll-out of experience concepts in existing and acquired cinemas. This relates particularly to the roll-out of recliner seats in the Canadian cinemas, the installation of the Market Mall shop concept in Whitby, Kanata and Shawnessy (Canada), and the opening of various 4DX and ScreenX theatres in Europe.

Investments in maintenance increased by € 5.0 million to € 21.0 million, among other things due to the further roll-out of laser projectors, the replacement of all 3D systems with RealD 3D, renovations of existing cinemas, investments in ICT and the growth of the Group.

Net financial debt, adjusted for the impact of IFRS 16, amounted to € 417.0 million on 31 December 2019, an increase of 50.6% as compared to the end of 2018 (€ 276.8 million), due to the acquisition of El Punt in the first half of the year and the acquisition of MJR and Arcaplex in the second half of the year, the dividend payment of € 24.7 million, and € 66.2 million of investments in maintenance and innovation.

The NFD ratio as compared to adjusted EBITDA, both excluding the impact of IFRS 16, was 2.84 on 31 December 2019. If we take an annualised adjusted EBITDA into account, the ratio is lower than 2.6.



Acquisition of MJR Digital Cinemas in the United States



4DX theatres in Europe

Total gross financial debt, excluding lease liabilities, increased by € 147.2 million, to € 489.7 million at 31 December 2019. Kinopolis pursues a very cautious financial policy, and always finances acquisitions over the long term.

## BALANCE SHEET

Equity was € 211.3 million on 31 December 2019. Solvency amounted to 16.5%, despite the increase in equity, which is a decrease as compared to 2018 (26.1%) partly due to the impact of IFRS 16 on the balance sheet.

## DIVIDEND

Following the impact of the Covid-19 virus on the entrepreneurship and the possible severe impact on the financial results for the first half year of 2020, the Board of Directors proposes towards the General Meeting not to pay out any dividend and to carry over the profit to 'Retained earnings'.

## IMPORTANT EVENTS AFTER THE FISCAL YEAR 2019

**Landmark Cinemas Canada and the Forster Harvard Development Corp.** announced in 2019 that Landmark Cinemas is bringing its premium 'recliner' cinema experience to the 'Grove on 17' site in **the Tamarack region in South East Edmonton, Canada**. The opening is planned for the fourth quarter of 2020. All eight film screens will be equipped with the Landmark luxury 'recliner' seat concept in a complete stadium configuration. The new cinema with eight screens will also be equipped with Barco laser projection from Cinionic.

Kinepolis started the construction of **a new cinema complex in the Schalkwijk Centre in Haarlem, the Netherlands**, in mid-October 2019. The cinema complex will have 6 screens and 934 seats, and all screens will have laser projection technology. Kinepolis expects to receive 330 000 visitors per year in Haarlem.

The opening of the new cinema fits in with the redevelopment of the Schalkwijk Centre. The project for the new cinema in Haarlem was acquired by Kinepolis as part of the takeover of the NH cinemas in January 2018. The cinema is scheduled to open in the fourth quarter of 2020.

At the beginning of 2019, **Kinepolis and RealD** have announced a new partnership for RealD 3D equipment and 3D glasses in France, Belgium, the Netherlands, Switzerland, Spain and Luxembourg. Kinepolis will use RealD 3D equipment in all its cinemas to provide its customers with the best 3D cinema experience. The agreement is part of a larger deal that also includes the Canadian Landmark Cinemas. RealD 3D offers maximum depth and clarity for an ultra-realistic cinema experience.

*Sketch*



Luxury 'recliner' seat concept in Canada



Kinepolis in the Schalkwijk Centre in Haarlem (NL)



Landmark Market Mall



270-degree film experience in a ScreenX theatre

RealD 3D glasses are designed to comfortably watch a movie in 3D while reducing ghosting and image blur. In the meantime, all 3D systems in Europe have been replaced by RealD 3D. The roll-out in Canada is expected to be completed in 2020.

In the autumn of 2019, Kinopolis opened **ScreenX theatres** in Madrid, Utrecht Jaarbeurs, Lomme and Metz. The first Belgian ScreenX theatre opened its doors in Antwerp in February 2020. ScreenX is a multi-projection cinema technology, designed to take the cinema experience to the next level. The technology creates a 270-degree film experience by extending the scenes to the side walls of the theatre, allowing the audience to look beyond the frame of a traditional cinema screen.

On 23 October 2019, the Brussels Court of Appeal annulled the ruling of the **Belgian Competition Authority (BCA)** of 25 March 2019 and decided to abolish the condition that prevents Kinopolis from growing organically in Belgium. The Competition Authority determined the transitional period on 11 February 2020, and ruled that Kinopolis does no longer require prior permission to open new cinema complexes in its home market Belgium from 12 August 2021.

Due to the **impact of Covid-19**, Kinopolis, in consultation with the relevant authorities, has closed all its cinemas in all countries where it operates. The health of our film fans and employees remains our absolute priority. This will have a serious impact on business operations as of March 2020 onwards. Depending on the duration of the closure and the number of cinemas involved, Kinopolis expects a serious impact on the Group's financial results in 2020.

Due to the closure of all locations, almost all turnover will be lost during this period. Our activities have a nature that more than 70% of the costs affecting EBITDA are variable. In the context of this pandemic, the various authorities in the different countries where Kinopolis is active have taken measures, such as the introduction of temporary unemployment, wage subsidies, etc. This has increased the variability of our costs above 70%. Kinopolis is taking the necessary measures to further reduce the impact at all cost levels, including the fixed costs and outgoing cash flows. The Board of Directors will also propose to the General Meeting not to pay out a dividend and to transfer the profit to 'Retained earnings'.

At the start of the Covid-19 pandemic, Kinopolis had almost € 70.0 million in cash and a line of credit of € 120.0 million. Kinopolis therefore has sufficient cash to cope with the crisis. Kinopolis's financial strategy has been characterised by a prudent financial policy in recent years. As a result, the outstanding financial obligations have a maturity of more than five years, and the next significant repayment of its bonds will only take place in 2022. Kinopolis also has a strong and healthy balance sheet with a major portfolio of real estate. The impact on an annual basis cannot be estimated yet. Kinopolis Group management, however, is convinced that it has taken the necessary measures and has sufficient cash at its disposal to cope with the crisis.

# Corporate Governance Statement

The governance structure of the company, and more specifically the role and responsibilities, composition and functioning of the Board of Directors, its advisory Committees and the Executive Management are described in the Corporate Governance Charter (the 'Charter'), a revised version of which was adopted by the Board of Directors on 8 May 2018, using the Belgian Corporate Governance Code 2009 (the 'Code 2009') as a reference code.

During the course of the fiscal year 2020, the Board of Directors will revise the Corporate Governance Charter in light of the new Belgian Corporate Governance Code 2020 (the '2020 Code'), but is already applying these new governance rules as far as possible, whereby the aim to ensure long-term sustainable value creation for all stakeholders is central.

This chapter of the annual report provides more factual information on the Corporate Governance policy pursued in the fiscal year 2019, whereby the goal, wherever possible, is to apply the principles resulting from this charter without affecting the unique character of the company. Where necessary, the required explanation of the deviations from the Code is given, in accordance with the 'comply or explain' principle.

The Charter can be consulted on the Investor Relations website of Kinopolis Group.

## SHARE CAPITAL

The share capital on 31 December 2019 amounted to € 18 952 288.41, and was represented by 27 365 197 shares, without mentioning a nominal value, all of which give the same rights to the holders.

On 31 December 2019, Kinopolis Group held 492 346 treasury shares, with a capital value of € 340 983.58.

## RIGHTS TO NOMINATE CANDIDATES TO THE BOARD OF DIRECTORS

According to the articles of association, eight directors can be appointed from among the candidates nominated by 'Kinohold Bis', a limited company under the laws of Luxembourg, insofar as it or its legal successors, as well as all entities directly or indirectly controlled by (one of) them or (one of) their respective legal successors (within the meaning of Article 1:20 of the Belgian Companies and Associations Code (the 'BCAC')), solely or jointly, hold at least thirty-five per cent (35%) of the shares of the company at the moment the candidate is nominated, as well as at the moment of appointment by the General Meeting, on the understanding that, if the shares held by Kinohold Bis SA or its respective legal successors, as well as all entities directly or indirectly controlled by (one of) them or (one of) their respective legal successors (within the meaning of Article 1:20 of the BCAC) represent less than thirty-five per cent (35%) of the capital of the company, Kinohold Bis SA or its respective legal successors shall only be entitled to nominate candidates to the Board of Directors for each group of shares representing five per cent (5%) of the capital of the company.



## SHAREHOLDER AGREEMENTS

No shareholder agreements are known within the company that could restrict the transfer of securities and/or the exercise of voting rights in the context of a public acquisition bid.

## CHANGE OF CONTROL

The Credit Agreement concluded on 15 February 2012 between Kinopolis Group NV and some of its subsidiaries on the one hand, and BNP Paribas Fortis Bank NV, KBC Bank NV and ING Belgium NV on the other, and as amended and renewed several times, lastly on 16 December 2019 with the addition of Belfius Bank, provides that a participating financial institution can terminate its participation in the relevant agreement, whereby its relevant part of the loan becomes immediately due and payable, if natural or legal persons other than Kinohold Bis SA (or its legal successors) and Mr. Joost Bert, acquire control (as defined in the Credit Agreement) of Kinopolis Group NV.

The General Terms and Conditions of the Listing and Offering Prospectus dated 17 February 2012 with regard to a bond issue in Belgium also provide that, in the case of a change of control (as defined in the Prospectus), any bond holder shall have the right to oblige Kinopolis Group NV to repay all or a part of his/her bonds under the conditions set forth in the Prospectus. This Prospectus can be consulted on the Investor Relations website of Kinopolis.

The General Terms and Conditions of the Prospectus dated 12 May 2015 regarding an Unconditional Public Exchange Offer with respect to the above-mentioned bonds also provide that, in the event of a change of control (as defined in the Prospectus), each bond holder will have the right to oblige Kinopolis Group NV to repay all or a part of his/her bonds under the conditions set out in the Prospectus. This Prospectus can also be consulted on the Investor Relations website of Kinopolis Group.

Finally, the General Terms and Conditions dated 16 January 2015 regarding the private placement of bonds with institutional investors to the amount of € 96.0 million, as well as the General Terms and Conditions dated 5 December 2017 regarding the private placement with institutional investors to the amount of € 125 million, and the General Terms and Conditions dated 5 July 2019, with regard to the private placement with institutional investors to the amount of € 225 million, contain clauses regarding the case of a change of control that are identical to those defined in the above-mentioned Prospectus.

## SHAREHOLDER STRUCTURE AND RECEIVED NOTIFICATIONS

Based on the notifications received within the framework of Article 74 of the Public Acquisition Bids Act of 1 April 2007 from Kinopolis Group NV, Kinohold Bis SA, Stichting Administratiekantoor (*Administration Trust Office*) Kinohold, Joost Bert, Koenraad Bert, Geert Bert and Peter Bert, acting by mutual agreement (either because they are 'affiliated persons' within the meaning of Article 1:20 of the BCAC or there is mutual consultation between them) collectively hold more than 30% of the voting shares of Kinopolis Group NV, from subsequent transparency statements (within the framework of the Act of 2 May 2007 and the Royal Decree of 14 February 2008 regarding the disclosure of major holdings) and from announcements within the framework of the share buyback programme, as of 31 December 2019:

- Kinohold Bis SA, held 12 700 050 shares, or 46.41% of the shares of the Company;
- Kinohold Bis SA is controlled by Kinohold, Stichting Administratiekantoor under Dutch law, which is in turn the object of joint control by the following natural person (in their capacity as directors of the Stichting Administratiekantoor): Joost Bert, Koenraad Bert, Geert Bert and Peter Bert;
- Kinohold Bis SA also acts in close consultation with Joost Bert;
- Kinopolis Group NV, which is controlled by Kinohold Bis SA, held 492 346 or 1.80% treasury shares;
- Mr Joost Bert, who acts in close consultation with Kinohold Bis SA (a company controlled 100% by him) held 492 218 shares, or 1.80% of the shares of the company.

The table below shows the situation based on the transparency statements received under the Law of 2 May 2007. Any amendments communicated since 31 December 2019 have been published in accordance with the provisions of the above-mentioned law and can be consulted at [www.kinopolis.com/corporate](http://www.kinopolis.com/corporate).

### SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2019

| SHAREHOLDER                       | NUMBER OF SHARES  | %           |
|-----------------------------------|-------------------|-------------|
| Kinohold BIS                      | 12 700 050        | 46.41       |
| Mr Joost Bert                     | 492 218           | 1.80        |
| Kinopolis Group NV                | 492 346           | 1.80        |
| Free Float, of which:             | 13 680 583        | 49.99       |
| - Axa SA                          | 1 376 397         | 5.03        |
| - BNP Paribas Asset Management SA | 1 368 974         | 5.00        |
| - BlackRock Inc.                  | 1 115 517         | 4.08        |
| <b>TOTAL</b>                      | <b>27 365 197</b> | <b>100%</b> |

## AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Amendments may be made to the articles of association with due consideration for the stipulations in the BCAC.

## BOARD OF DIRECTORS AND SPECIAL COMMITTEES

In light of the 2020 Code, the Board of Directors has thoroughly evaluated the management structures contained in the BCAC, and has opted for the one-tier board structure as provided for in Articles 7:85 et seq. of the BCAC, as this best reflects the current and desired governance structure of the company.

### COMPOSITION OF THE BOARD OF DIRECTORS.

In view of a more compact, but also efficient Board of Directors with the necessary flexibility to adapt to events and opportunities on the market at all times, it was decided in 2019 not to fill the vacant directors' mandates with new directors, but to limit themselves to the re-appointment of Marion Debruyne BV, with permanent representative Ms. Debruyne and 4F BV, with permanent representative Mr. Van Doorselaere, whose knowledge and experience will further allow the Board to keep an eye on the socio-economic, financial and social context in which the company operates.

The Board of Directors would like to thank Ms. Annelies Van Zutphen and Mr. Rafaël Decaluwé for their valuable contribution to the Board of Directors in recent years.

Since 8 May 2019, the Board of Directors therefore consists of eight members, seven of whom are non-executive directors and three of whom are to be considered independent of the reference shareholders and the management. As the new BCAC no longer stipulates that directors who have held three consecutive mandates can no longer serve as independent directors, the company considers Ms. Debruyne, who, since her re-appointment in 2019, exercises her third consecutive mandate and has not been nominated on the proposal of the reference shareholders, as a de facto independent director since 1 January 2020, as she meets all the criteria listed in Article 7:87 §1 of the BCAC and the 2020 Code. The other independent directors also fulfill the above-mentioned criteria and were appointed on the recommendation of the Board of Directors, which was advised on this by the Nomination and Remuneration Committee. The reference shareholders did not exercise their nomination right with regard to these appointments.

Furthermore, the Board regularly reviews the criteria for its composition and that of its committees in light of ongoing and future developments and expectations and the risks to which the company may be exposed, as well as its strategic objectives. The Board thereby pays due attention to complementarity and diversity among its members, including gender and age diversity, while ensuring that a balance is maintained between innovation and continuity, in order that the acquired knowledge and history can be passed on efficiently within the Board and its committees, while still being able to keep a finger on the pulse of new social and other trends, both in the Board and in its committees.

The chairmanship of the Board of Directors is held by Pentascoop NV <sup>(1)</sup>, with its permanent representative being Mr. Joost Bert, who, after a career of 20 years as CEO of the company, chose to continue his role within the company as chairman of the Board of Directors in 2018, which, taking into account his extensive knowledge and experience in the national and international cinema sector, makes him the right person to give the necessary support and advice to Mr Duquenne, in his role as CEO, as well as supporting the Board of Directors in conducting a high-quality dialogue with the shareholders, including the reference shareholders, and, consequently, to further contribute to sustainable value creation by the company, in which the long-term interests of all the stakeholders are central.

Mr. Philip Ghekiere, as vice-chairman, assists the chairman in the fulfilment of his mandate and will take over his role in the event of unavailability.

Contrary to Stipulation 2.9 of the Belgian Corporate Governance Code 2009, the Board of Directors has not appointed a secretary, as it believes these duties can be fulfilled by the Chairman, assisted by the Corporate Counsel, bearing in mind the limited size of the Company.

The table on the next page shows the composition of the Board of Directors, as well as the attendance record of the various directors with regard to the nine meetings that took place in 2019.

*(1) Representing the reference shareholders*



Board of Directors: from left to right Marion Debruyne, Ignace Van Doorselaere, Eddy Duquenne, Marleen Vaesen, Philip Ghekiere, Joost Bert, Sonja Rottiers and Geert Vanderstappen

## COMPOSITION OF THE BOARD OF DIRECTORS

| NAME  | POSITION                | TERM ENDS | OTHER POSITIONS AT LISTED COMPANIES    | ATTENDANCE OF MEETINGS (9) |
|---|-------------------------|-----------|--|----------------------------|
| Mr Joost Bert,<br>permanent representative of NV Pentascoop <sup>(1)</sup>        | Chairman                | 2020      | /                                      | All meetings               |
| Mr Philip Ghekiere <sup>(1)</sup>   | Vice Chairman           | 2020      | /                                      | 8 meetings                 |
| Mr Eddy Duquenne <sup>(2)</sup>   | Managing Director / CEO | 2020      | /                                      | All meetings               |
| Ms Sonja Rottiers,<br>permanent representative of BV SDL Advice                   | Independent director    | 2020      | /                                      | 7 meetings                 |
| Ms Marleen Vaesen,<br>permanent representative of BV Mavac                        | Independent director    | 2020      | Van de Velde NV:<br>CEO                | 8 meetings                 |
| Mr Ignace Van Doorselaere,<br>permanent representative of BV 4F                   | Independent director    | 2021      | /                                      | 8 meetings                 |
| Ms Marion Debruyne,<br>permanent representative of bvba Marion Debruyne           | Independent director    | 2021      | Ackermans & Van Haaren NV:<br>Director | 8 meetings                 |
| Geert Vanderstappen,<br>permanent representative of BV Pallanza Invest            | Director                | 2022      | Smartphoto group NV: Director          | All meetings               |
| <i>Mandate ended in 2019:</i>   |                         |           |  |                            |
| Ms Annelies van Zutphen, permanent representative<br>of Van Zutphen Consulting BV | Independent director    | 2019      | /                                      | 2 meetings                 |
| Mr Rafaël Decaluwé,<br>permanent representative of Gobes Comm. V.                 | Director                | 2019      | Jensen Group NV:<br>Chairman           | 1 meeting                  |

<sup>(1)</sup> Representing the reference shareholders

<sup>(2)</sup> Executive director

### ACTIVITY REPORT OF THE BOARD OF DIRECTORS

In addition to the duties assigned to the Board of Directors by the Companies Code, the articles of association and the Charter, the following items were handled on a regular basis:

- the review of the monthly commercial and financial results, together with the forecasts;
- the evolution of the customer and personnel satisfaction index;
- the evolution of the ongoing cinema and real estate projects;
- the discussion and decision-making regarding new expansion opportunities;
- the integration of the new complexes;
- the ICT policy, including the ICT security policy, and its implementation.

From the fiscal year 2020, the topic of 'Sustainable and socially responsible entrepreneurship' will be added to the agenda.

Appropriate attention was also given to, among other things, the following items during the fiscal year:

- the discussion and establishment of the profit and investment plan for the following fiscal year;
- the determination of the short-term and long-term strategy;
- the long- and short-term financing;
- the reports from the Nomination and Remuneration Committee and of the Audit Committee;
- the evaluation and establishment of the quantitative and qualitative management objectives for the CEO;
- the primary risks to which the Company can be exposed, and the measures taken to control them;
- the re-appointment of the external auditor.

Other items, including human resources, ICT, external communication, investor relations, disputes and legal issues are addressed as needed or desired.

At least seven meetings are scheduled for the year 2020. Additional meetings may be held if needed.

### COMPOSITION AND ACTIVITY REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

In accordance with the applicable governance rules, the company has just one joint committee, the Nomination and Remuneration Committee. This committee consists of the following non-executive directors, the majority of whom are independent directors with the necessary expertise and professional experience in the field of human resources, bearing in mind their previous and/or current business activities:

- Pentascoop NV, with Mr Joost Bert (Chairman of Kinepolis Group NV) as the permanent representative;
- 4F BV, with Mr Ignace Van Doorselaere, the CEO of Neuhaus, as the permanent representative;
- SDL Advice BV, with Ms Sonja Rottiers, the current CEO and executive director of Lloyds Insurance Company SA, as the permanent representative.

The Chief Executive Officer may attend the meetings of the Nomination and Remuneration Committee by invitation.

The Nomination and Remuneration Committee met three times in 2019 at the invitation of its chairman, and all members were in attendance.

The following topics were primarily discussed during these meetings:

- the evaluation of the 2018 management objectives for the CEO, and the determination of variable remuneration for the financial year 2018;
- the proposal of qualitative and quantitative management objectives for the financial year 2019 for the CEO, as well as the related variable remuneration;
- the evolution in the composition of the Board of Directors and the ensuing selection and nomination process for candidate directors;
- the discussion of the candidacies for directorships;
- the preparation of the Remuneration Report.

### COMPOSITION AND ACTIVITY REPORT OF THE AUDIT COMMITTEE

In accordance with the applicable rules in this respect, the Audit Committee is composed exclusively of non-executive directors, the majority of whom are also independent.

The Audit Committee as a whole has the necessary expertise with regard to finance and audits, and is composed as follows:

- Pallanza Invest BV, with permanent representative Mr Geert Vanderstappen, who combines 5 years' experience as a Corporate Officer at Corporate & Investment Banking at the Generale Bank with 7 years of operational experience as financial director at the Smartphoto group NV, and who is currently Managing Partner at Pentahold;
- Mavac BV, with permanent representative Ms Marleen Vaesen, who, among other things, has held the position of CEO at Greenyard, and is currently CEO of the Van de Velde group;
- SDL Advice BV, with permanent representative Ms Sonja Rottiers, who, after having held the position of CFO and CEO at Dexia Verzekeringen and Axa Belgium, is currently the CEO and executive director of Lloyd's Insurance Company SA.



The Chief Financial Officer, the Chief Executive Officer, the chairman of the Board of Directors, the vice-chairman of the Board of Directors and the internal auditor attend the meetings of the Audit Committee.

The representatives of the reference shareholders may attend the meetings on invitation.

In 2019, the Audit Committee, under the chairmanship of Mr Geert Vanderstappen, met four times in the presence (or via representatives) of all members, and mainly dealt with the following items:

- discussion of the financial reporting in general, and of the annual single and consolidated financial report, the half-yearly financial report, and the related press releases in particular;
- discussion, establishment and monitoring of the internal audit activities, including discussion of the annual report of the Internal Audit department;
- discussion and evaluation of the internal control and risk management systems, as well as the annual 'risk-management action plan';
- evaluation of the effectiveness of the external audit process;
- evaluation of the work of the internal auditor;
- monitoring of the financial reporting and its compliance with the applicable reporting standards;
- discussion of the renewal of the mandate of the external auditor;
- discussion of the requirements for a new process software;
- update of the IFRS 16 impact analysis;
- discussion of the Non-Audited Services regulations;
- the evaluation of the functioning of the Audit Committee.

#### **EVALUATION OF THE BOARD OF DIRECTORS, ITS COMMITTEES AND ITS INDIVIDUAL DIRECTORS**

As part of the open and transparent manner in which the meetings of the Board and its committees are held, its operation and performances are constantly and informally evaluated during the meetings, as well as the interaction with the Executive Management, which is communicated in the same transparent manner.

Furthermore, a formal periodic performance review was organised in 2019, by means of extensive questionnaires covering the following topics:

- the composition of the Board of Directors;
- the procedure with regard to the nomination of directors;
- the activities of the Board and its committees;
- the quality of the information that is made available to the Board of Directors;
- the tasks of the Board of Directors and the areas that should be discussed regularly;
- the remuneration policy for the Board and the CEO;
- the individual contribution of each director;
- the interaction with the CEO and with the controlling shareholders.

#### **DIVERSITY**

The Board has three female members, representing more than one third of the Board of Directors, and therefore meets the legal requirement that at least one third of the members of the Board must be of a different gender than the other members.

In the coming years, the Board will not only focus its diversity policy on gender, skills and age, but will also give further attention to the international management experience of its directors, in order to enable the Board to keep a close eye on the social and economic context and structure in the various geographical areas in which Kinopolis Group operates. The above-mentioned diversity goals were included in the selection process applied by the Nomination and Remuneration Committee and the Board of Directors when searching for potential directors and, among other things, have meant that the Board of Directors not only has three female directors, but is also made up of directors with complementary profiles in terms of competence, knowledge and experience, including international management experience.

#### **EXECUTIVE MANAGEMENT**

Following the resignation of Mr Bert as managing director, Mr Duquenne, as CEO, is the only member of the Executive Management. The Board of Directors is authorised to appoint additional members of the Executive Management. Given the above-mentioned composition and the fact that no executive committee has been set up within Kinopolis Group, no specific diversity policy applicable to the persons charged with day-to-day management has been developed, but the focus is generally placed on the required management and business experience, insights, skills and know-how needed to perform the function. The above-mentioned basic principle is applied throughout the organisation, regardless of the nationality, cultural background, age or gender of the employees.

## INSIDER TRADING POLICY – CODE OF CONDUCT – TRANSACTIONS WITH AFFILIATES

The Dealing Code, approved in 2016 and updated in 2019, applies to the members of the Board of Directors, the Chief Executive Officer, persons closely related to the latter, and all other persons who might have inside knowledge. The Protocol is designed to ensure that share trading by the persons in question only occurs strictly in accordance with applicable EU and national rules, and in accordance with the guidelines issued by the Board of Directors. As the Compliance Officer, the Chief Financial Officer (CFO) is responsible for monitoring compliance with the rules on insider trading, as set out in this Protocol.

A Code of Conduct has also been in force since 2013, containing the appropriate guidelines, values and standards with regard to the ethical and fitting way Kinopolis wishes to treat employees, customers, suppliers, shareholders and the general public. In this document, the employees are reminded that any form of bribery is unacceptable and that personal gifts should not be accepted, except in the case of small gifts in line with generally accepted corporate practices. This corporate culture is applied at all times by all employees of the company.

The limited transactions with related parties, as included in Notes to the Consolidated Financial Statements, were conducted in complete transparency with the Board of Directors.

## REMUNERATION REPORT

The company aims to provide transparent information to its shareholders and other stakeholders regarding the remuneration of the members of the Board of Directors and the Executive Management.

### PROCEDURE FOR ESTABLISHING THE REMUNERATION POLICY AT THE LEVEL OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

#### *Principles*

The principles of the remuneration policy and remuneration level for the directors and Executive Management are included in the Corporate Governance Charter, and will be evaluated in the 2020 fiscal year in light of the new 2020 Code.

The remuneration policy, which is determined by the Board of Directors on the recommendation of the Nomination and Remuneration Committee, is developed in such a way that the remunerations of the directors and the Executive Management are reasonable and appropriate enough to attract, retain and motivate persons meeting the profile established by the Board of Directors, with due consideration for the size of the Company and external benchmark data.

The remuneration for the Executive Management also ensures that the ratio between the fixed and variable part of the remuneration package is aligned with the practice of other comparable listed companies, and that the remuneration is in line with the market, taking into account the observed tasks, responsibilities and management objectives and the value creation realised.

The following principles are also applied:

- The non-executive directors receive a fixed amount for the performance of their duties as members of the Board of Directors, taking into account at least 6 attendances in the meetings of the Board of Directors;
- The members of the committees are allocated a fixed amount per participation in a meeting of the committee, with an additional fixed fee for the Chairman of the Audit Committee;
- The Chairman and vice chairman of the Board of Directors, and also the Chief Executive Officer, are allocated a fixed annual amount for participating in the meetings of the Board of Directors;
- The non-executive directors do not receive any bonuses, participation in long-term share-based incentive programmes nor any benefits in kind (with the exception of the right to attend a number of film screenings each year) nor benefits related to pension plans;
- In addition to a fixed remuneration, the Executive Management receives variable remuneration dependent on attainment of the management objectives set by the Board of Directors on the recommendation of the Nomination and Remuneration Committee. These include both quantitative objectives, which are set and measured annually based on improvement of the financial results compared to the previous year, and qualitative objectives, which are defined as objectives that are to be attained over several years, the progress of which is evaluated on an annual basis. The variable part of the remuneration ensures that the interests of Executive Management run parallel to those of the Group, that they lead to value creation and loyalty, and provide the appropriate incentive to optimise the short-term and long-term objectives of the Group and its shareholders. 30% of the variable remuneration is linked to the attainment of the qualitative objectives, and 70% is linked to the attainment of the quantitative objectives;

- As well as this variable remuneration, long-term incentives in the form of share options or other financial instruments of the company or its subsidiaries may also be allocated to the Executive Management;
- No other provisions than those provided in the Civil Code that provide for a right of recovery in favour of the company exist, if the variable compensation has been granted on the basis of incorrect financial data;
- The severance compensation of a member of the Executive Management in the event of early termination of a contract entered into after 1 July 2009 will not exceed twelve (12) months' basic and variable remuneration. On the recommendation of the Nomination and Remuneration Committee and with the prior approval of the General Meeting, a higher compensation may be granted in specific justifiable circumstances, but may never exceed eighteen (18) months' basic and variable remuneration. In any event, the severance compensation may not exceed twelve (12) months' basic remuneration, and the variable remuneration cannot be taken into account if the departing person has not met the performance criteria referred to in his/her contract.

#### *Procedure*

The annual overall remuneration of the members of the **Board of Directors** will be determined by the General Meeting following a proposal from the Board of Directors (thereby advised by the Nomination and Remuneration Committee), which will be based on the principles included in the Charter, and the the following amounts shall be linked to this by the Board of Directors:

- € 568 164 as the fixed remuneration for the chairmanship of the Board of Directors;
- € 100 000 as the fixed remuneration for the vice chairman of the Board of Directors;
- € 30 000 as the fixed remuneration for attendance of the Chief Executive Officer at the meetings of the Board of Directors in his role as Delegated Director;
- € 32 500 for the actual attendance of the other directors at six or more meetings of the Board of Directors; the remuneration will be reduced proportionately if fewer meetings are attended;
- € 3 000 for attendance of a meeting of the Audit Committee or the Nomination and Remuneration Committee;
- € 3 750 as additional fixed remuneration for the chairman of the Audit Committee.

The Board of Directors determines the remuneration as well as the remuneration policy of the **Executive Management** based on the proposal of the Nomination and Remuneration Committee, with due consideration of the relevant contractual stipulations and benchmark data from other comparable listed companies, in order to ensure that these

remunerations are in line with market practices, bearing in mind the duties, responsibilities and management objectives. For example, the fixed remuneration for the CEO (excluding the remuneration as a member of the Board of Directors) was set at € 725 242 and the maximum variable remuneration at € 485 000. The management objectives to which the variable remuneration is linked are proposed annually by the Nomination and Remuneration Committee and are approved by the Board of Directors. The Board of Directors annually evaluates the attainment of these quantitative and qualitative objectives on the basis of an analysis by the Nomination and Remuneration Committee.

The achievement of the **quantitative objectives** is measured based on the improvement of the financial results compared to the previous fiscal year, with due consideration of the changes in the critical parameters for value creation in the existing businesses and the achievement of business plans of the expansion projects. The **qualitative objectives** that must be realised over several years and which are aimed at long-term value creation for the company are evaluated annually on the basis of the progress achieved per specific objective.

On the proposal of the Board of Directors, which is of the opinion that the quantitative and qualitative management objectives are set to such an extent that they also ensure the long-term goals of the Company, the General Meeting of 11 May 2016, in accordance with the applicable regulations, approved the proposal to base the integral annual variable remuneration of the CEO for the fiscal years 2017 to 2020 on objective and measurable performance indicators agreed in advance, and always measured over a period of one year.

#### **APPLICATION OF THE REMUNERATION POLICY TO THE MEMBERS OF THE BOARD OF DIRECTORS**

In line with the above-mentioned remuneration policy and its underlying principles, the directors of the company were remunerated for their services in the past fiscal year as shown in the following table. All amounts are gross amounts before deduction of tax.

## REMUNERATION OF THE BOARD OF DIRECTORS

| NAME   | TITLE                | 2019 REMUNERATION (IN €) |
|--|----------------------|--------------------------|
| Mr Joost Bert,<br>permanent representative of Pentascoop NV                                      | Chairman             | 568 164                  |
| Mr Philip Ghekiere   | Vice chairman        | 100 000                  |
| Mr. Eddy Duquenne  | CEO                  | 30 000                   |
| Ms Sonja Rottiers,<br>permanent representative of SDL Advice BV                                  | Independent director | 53 500                   |
| Ms Marleen Vaesen,<br>permanent representative of Mavac BV                                       | Independent director | 44 500                   |
| Mr Ignace Van Doorselaere,<br>permanent representative of 4F BV                                  | Independent director | 41 500                   |
| Ms Marion Debruyne,<br>permanent representative of Marion Debruyne BV                            | Director             | 32 500                   |
| Mr Geert Vanderstappen,<br>permanent representative of Pallanza Invest BV                        | Director             | 48 250                   |
| Ms Annelies van Zutphen,<br>permanent representative of Van Zutphen Consulting BV <sup>(1)</sup> | Independent director | 10 833                   |
| Mr Rafaël Decaluwé,<br>permanent representative of Gobes Comm. V. <sup>(1)</sup>                 | Director             | 5 417                    |
| <b>TOTAL</b>   |                      | <b>934 664</b>           |

<sup>(1)</sup> Director to 08 May 2019

All members of the Board of Directors, as well as the directors of the subsidiaries of the company, are also covered by a 'civil liability of directors' policy, of which the total premium amounts to € 39 900, including taxes, and which is paid by the company.

The non-executive directors received no other remuneration, benefits, share-based or other incentive bonuses from the Company in the year under review.

### APPLICATION OF THE REMUNERATION POLICY TO THE EXECUTIVE MANAGEMENT

#### Setting the objectives for 2019

In setting the concrete objectives for the fiscal year 2019, the Board of Directors again used the Adjusted EBITDA parameter (previously called 'recurring EBITDA') to determine the **quantitative management** objectives, as the Board is convinced that this is a relevant measure for the development of value creation within the company. The assessment of the realisation takes into account the evolution of the Adjusted EBITDA versus the objectives set by the Board of Directors. If, therefore, the realised Adjusted EBITDA for the relevant year 2019 is between the set objectives, an amount between 0 and 100% of the variable compensation linked to the realisation of the quantitative objectives will be paid pro rata.

The **qualitative** objectives consisted of analyses and actions with regard to the further development of the improvement potential of Landmark Cinemas Canada, the further expansion of the Group, the optimisation of the various management, analysis and reporting tools to support the further implementation of the business strategy, and the programming and marketing strategy.

All the objectives have been formulated by the Board of Directors in such a way that they not only achieve the short-term objectives of the Group, but also the long-term objectives, which are reflected in the continuously increasing shareholder value of the company in recent years. In addition, the options granted to the Executive Management also contribute to the focus on long-term value creation.

#### Evaluation of the 2018 objectives

In 2019, the Board of Directors, assisted by the Nomination and Remuneration Committee, evaluated the objectives that were to be achieved in the 2018 financial year and determined that the envisaged milestones were amply achieved with regard to the qualitative objectives, thanks in part to the successful integration of Landmark and, with regard to the quantitative objectives, the realised Adjusted EBITDA was within the predefined range, resulting in the award in 2019 of a variable remuneration of € 412 250.

Finally, it can be noted that, pursuant to contractual agreements reached prior to 1 July 2009, in the event of the early termination of the contract of the CEO, and if there is a change in the control of the company, the severance remuneration can amount to 24 months' fixed remuneration plus the pro-rata part of the variable remuneration for the ongoing year.

The following summary gives an overview of the fixed part of the remuneration, of the other components of the remuneration (such as pension contributions and insurances) and of the variable part, as paid out in 2019 (excluding VAT).

| EDDY DUQUENNE BV                     |                    |
|--------------------------------------|--------------------|
| Fixed remuneration <sup>(1)</sup>    | € 725 242          |
| Variable remuneration <sup>(2)</sup> | € 412 250          |
| Reimbursement of expenses            | € 9 000            |
| <b>TOTAL</b>                         | <b>€ 1 146 492</b> |

*(1) Disbursed in 2019*

*(2) Disbursed in 2019 with respect to the 2018 performance*

#### LONG-TERM INCENTIVES

On 11 May 2016, the General Meeting approved a new stock option plan in which 543 304 options on existing shares (with a term to 10 May 2024) can be granted to the chairman of the Board of Directors, the Executive Management and eligible executives of the company or its subsidiaries in order to enable the above-mentioned persons to participate in the long-term shareholder value that they will help realise, and thereby align their interests with the long-term interests of the shareholders. By granting stock options, the company aims to be able to attract, motivate and bind the best management talent to the company in the long term.

The options listed below were granted to Messrs Bert and Ghekiere in their capacity as co-CEO and Chairman of the Board of Directors, respectively, in 2017.

| NUMBER ALLOCATED AND ACCEPTED STOCK OPTIONS | 2016 PLAN |
|---|-----------|
| Eddy Duquenne                               | 90 000    |
| Joost Bert                                  | 45 000    |
| Philip Ghekiere                             | 45 000    |

The above-mentioned options are acquired over a period of 5 years, and the options actually acquired can be exercised at the earliest 4 years after being granted. A more detailed description of the features of these options can be found in Note 20 to the Consolidated Financial Statements.

#### FISCAL YEARS 2020-2021

The Company will evaluate the remuneration policy towards the Board of Directors and Executive Management in light of the provisions of the Code 2020.

## DESCRIPTION OF THE MAIN CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

In accordance with the Corporate Governance rules and the various relevant regulations, the company has developed a process for risk management. Kinopolis Group thereby makes use of the 'Integrated Framework for Enterprise Risk Management' as developed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). This framework integrates both the internal control and risk management processes, and is aimed at the identification and management of strategic, operational and reporting risks, as well as legal and regulatory risks in order to ensure the achievement of the corporate objectives.

Kinopolis Group uses this framework to implement a system of Risk Management, and to control the above risks in the business processes and financial reporting. The system is developed centrally, and, as far as possible, is uniformly applied in the various parts of the organisation and its subsidiaries. The system deals with the various components as prescribed by the reference model, as well as the various roles and responsibilities with regard to internal controls and risk control.

#### ROLES AND RESPONSIBILITIES

Risk management is not the exclusive responsibility of the Board of Directors and Executive Management within Kinopolis Group; every employee is responsible for the proper and timely application of the various risk-management activities within the scope of his or her job.

The responsibilities regarding the risk management of the Board of Directors (and its various committees) and the Executive Management are established and described in detail in legal stipulations, the Belgian Corporate Governance Code 2020 and the Kinopolis Corporate Governance Charter. In brief, it can be stated that the Executive Management bears final responsibility for the appropriate implementation and management of the risk-management system, while the Board of Directors has a supervisory role in this matter.

The implementation and management of the risk-management system is based on a pyramidal responsibility structure, in which each manager is not only responsible for the proper introduction and application of the risk-management processes within the scope of his or her job, but also has a duty to monitor its proper implementation by his or her direct reports (who may, in turn, be managers).

In this way, management can be confident of proper and comprehensive risk management throughout the Company and be assured that related risks in the various business processes and departments are being tackled in an integrated way.

#### **APPLICATION OF THE VARIOUS COMPONENTS**

The way in which the Group applies the various components of the COSO framework is outlined below. This description covers only the most important elements, and is therefore not comprehensive. In addition, the appropriateness of the application is regularly evaluated, and thereby permanently subject to change.

#### **INTERNAL CONTROL ENVIRONMENT**

An appropriate internal environment is a precondition of being able to effectively apply other risk-management components. With this in mind, Kinopolis Group places a high importance on the values of integrity and ethical action. In addition to the existing legal framework, Kinopolis Group endeavours to encourage and enforce such behaviour by means of both preventive measures (e.g. via the Charter, the Code of Conduct, the work regulations, the application of strict criteria in the area of human resources, in particular with regard to the areas of the selection and recruitment of staff and periodic evaluations, and various procedures and policies) as well as investigative measures (e.g. reporting procedure, compliance inspections).

Another important aspect of the internal environment is the organisational structure. Kinopolis has a clear and uniform organisational structure, which matches the various countries and business processes. The organisational structure, the determination of the various objectives, management of the budget and the remuneration process are also aligned to each other.

In addition, correct employee training and guidance is essential to the proper application of risk management. To this end, the training needs of every employee are examined on an annual basis, distinct from the existing compulsory courses for certain jobs. An introductory risk-management course is also given to new managers on an annual basis.

#### **SETTING OF OBJECTIVES**

In line with the company's mission, business objectives are set for different terms. As described in the Charter, these are confirmed on an annual basis by the Board of Directors, which also ensures that they are in line with the risk appetite of the company, as determined by the Board of Directors.

The (financial and non-financial) objectives established at consolidated level are gradually developed into specific objectives for individual countries, business units and departments on an annual basis. The lowest level is the determination of the individual objectives for each employee. The attainment of these objectives is linked to the remuneration policy.

Progress with regard to these objectives is regularly assessed through business-controlling activities based on management reports. The individual objectives are assessed at least once every year as part of a formal HR evaluation process.

#### **INTERNAL CONTROL**

Internal Control is defined as the identification and assessment of business risks, as well as the selection, implementation and management of the appropriate risk responses (including the various internal control activities).

As stated above, it is first and foremost the duty of every manager to properly set up and implement the various internal risk-management activities (including monitoring) within the scope of his/her job. In other words, each line manager is responsible for the appropriate and timely identification and evaluation of business risks and the ensuing control measures to be taken and managed. Although the individual line manager has some latitude when applying these rules, Kinopolis aims to standardise the process as much as possible. This is achieved by organising e-learning ERM training courses, implementing the structured policy guidelines and procedures, and the use of standard lists for the internal controls that are to be carried out.

The Board of Directors and Management of Kinopolis conduct an annual risk assessment to acquire a general understanding of the business risk profile. The acceptability of residual risks is also assessed as part of this. If these are not acceptable, additional risk-response measures are taken.

#### **INFORMATION AND COMMUNICATION**

The appropriate structures, consultation bodies, reporting and communication channels have been set up within Kinopolis Group for business operations in general, and risk management in particular in order to ensure that the information required for those operations, including risk management, is made available to the appropriate persons in a timely and proper way. The information in question is retrieved from data warehouse systems that are set up and maintained in such a way as to meet the reporting and communication requirements.

## MONITORING

In addition to the monitoring activities by the Board of Directors (including the Audit Committee) as stipulated in legal provisions, the applicable governance provisions and the Charter, Kinopolis mainly relies on the following monitoring activities:

- **Business Controlling:** The Management, supported by the Business Controlling department, shall analyse the progress made towards the objectives and will explain the discrepancies on a monthly basis. This analysis may identify potential improvements with regard to the existing risk management activities and measures;
- **Internal Audit:** the existing risk management activities and measures will be regularly assessed by the Internal Audit department with regard to internal rules and best practices. Possible improvements will be discussed with the Management, and will result in the implementation of concrete action points that further tighten risk management.

## DESCRIPTION OF THE MAIN BUSINESS RISKS

In order to gain insight into the main business risks, the Board of Directors and the Management of the company will conduct a risk assessment on an annual basis, and this assessment will be subsequently analysed and validated by the Board of Directors. As in previous years, this took place again in 2019 on the basis of a written survey of the participants, in order to gain both quantitative and qualitative results, enabling risks to be assessed in order of scale. Although this way of working enables Kinopolis to distinguish important risks from less important risks in a well-founded way, it remains an estimation that, inherent to the definition of risk, provides no guarantee whatsoever of the actual occurrence of risk events. The following list (in random order) therefore contains only some of the risks to which Kinopolis is exposed.

### AVAILABILITY AND QUALITY OF SUPPLIED CONTENT

Bearing in mind that Kinopolis Group does not produce any content itself (such as films, etc.), it is dependent on the availability, diversity and quality of films, as well as the possibility of being able to rent this content from distributors. Kinopolis Group endeavours to protect itself wherever possible by maintaining good long-term relations with the major distributors and producers, by pursuing a content-diversification policy to some extent, and by playing a role as distributor in Belgium. The investments in Tax Shelter projects should also be viewed in this light.

## SEASONAL EFFECTS

The operating revenue of Kinopolis Group can vary from period to period, due to the fact that the producers and distributors decide when their films are released, completely independently of the cinema operators, and because certain periods, such as holidays, can traditionally have an impact on visitor numbers. The weather can also play an important role in the frequency of cinema visits. Kinopolis largely accepts this risk, considering that the costs of a financial hedging policy would exceed the revenue from it, but aims to mitigate the consequences by, among other things, varying its cost structure to a maximum degree.

## COMPETITION

The position of Kinopolis Group as a cinema operator is subject to competition, just like every other product or service for which substitutes exist, and is impacted by increasing competition from other leisure activities, such as concerts and sporting events, that can influence the behaviour of Kinopolis customers. This competition also results, on the one hand, from the presence of cinemas of other operators in the markets in which the Group operates, and from the possible opening of new cinema complexes in those markets, and, on the other hand, from the increasing distribution and availability of films and series via on-line content media, and so on. This development can also be influenced by the shortening of the period between the first screening of a movie in the cinema and its availability through other channels that is ordinarily observed by the distributors, as well as the constant technical improvement in the quality of these alternative ways of watching movies. In addition to these legal alternatives, the cinema industry also has to deal with illegal downloads. Kinopolis is working actively together with distributors to agree measures to counter any increasing illegal sharing of material online.

Kinopolis strives to strengthen its competitive position as a cinema operator by implementing its strategic vision, which is focused on being able to provide customers with a premium service and film experience.

## ECONOMIC SITUATION

Changes to the general, global or regional economic situation or the economic circumstances in areas where Kinopolis Group is active and which can impact consumer behaviour and the production of new movies can have a negative impact on the operating profits of Kinopolis Group. Kinopolis endeavours to arm itself against this threat by being rigorously efficient and by closely monitoring and controlling costs and margins. Changing economic conditions can also increase competitive risks.

## **RISKS ASSOCIATED WITH GROWTH OPPORTUNITIES**

With further growth, competition authorities can impose additional conditions and restrictions on the growth of Kinopolis Group (see also 'Political, regulatory and competition risks' below). In addition, certain inherent risks are also associated with growth opportunities, either through acquisition or new-build projects, which can have a negative impact on the objectives set. Kinopolis Group will thoroughly examine growth opportunities in advance, to ensure that these risks are properly assessed and, where necessary, controlled.

## **POLITICAL, REGULATORY AND COMPETITIVE RISKS**

Kinopolis Group strives to operate within the legal framework at all times. However, additional or amended legislation, including tax laws, could restrict Kinopolis's growth and /or operations, or result in additional investments or costs. Where possible, Kinopolis Group actively manages these risks by notifying the relevant political, administrative or legal bodies of its positions and defending them in an appropriate way. Furthermore, the Belgian Competition Authority has imposed a number of conditions and restrictions on Kinopolis Group, such as the requirement of the prior approval of the Competition Council for acquisitions of cinema complexes in Belgium.

## **TECHNOLOGICAL RISKS**

Cinema has become a highly computerised and automated sector, in which the correct technological choices and the optimal functioning of projection systems, sales systems and other ICT systems are critical in order to be able to offer optimal service to the customer. Kinopolis Group tries to manage these risks by closely following the latest technological developments, regularly analysing systems architecture, securing its networks and optimising them where necessary, and by implementing ICT best practices.

## **PERSONNEL RISKS**

As a service company, Kinopolis Group largely depends on its employees to provide a high-quality service. Hiring and retaining the right managers and employees with the requisite knowledge and experience in all parts of the Company is therefore a constant challenge. Kinopolis accepts this challenge by offering attractive terms of employment, good knowledge management and a pleasant working atmosphere. Kinopolis measures employee satisfaction on the basis of employee surveys and improves its policies where necessary. Furthermore, Kinopolis also attaches great importance to the health of its employees and endeavours to create a risk-free work environment that does no harm to anyone. To this end, and in addition to compliance with the legal obligations with regard to safety and prevention, it has taken a number of further measures, such as the organisation of preventive examinations by the company doctor, the organisation of evacuation exercises, prevention training, etc.

## **CUSTOMER RISKS**

Customer experience is key at Kinopolis Group, which is why Kinopolis places the greatest importance on the management of the risks that could have a negative impact on the customer experience in all aspects of the Kinopolis 'customer journey'. In the first place, Kinopolis is concerned with the physical integrity of its customers, and therefore ensures that the health and safety risks for its customers are reduced to a minimum when they are in the complexes. This includes numerous aspects, ranging from user-friendly buildings and installations to user-friendly products (e.g. compliance with HCCP standards, noise levels in the theatres), up to the prevention of feelings of insecurity through an adapted surveillance policy. In addition, in line with its best marketer strategy, Kinopolis also respects the privacy and data integrity of its customers. To this end, it has appointed a 'data protection officer' (DPO), and implemented a number of legal and security measures to protect customer data, and has organised GDPR training for staff, while the DPO carries out the necessary audits to ensure that the privacy policy of the company remains up-to-date at all times, and the status of the company's GDPR maturity is discussed in internal committees as well as in the audit committee.

Last but not least, Kinopolis tries to respond to any questions or dissatisfactions as quickly as possible by offering its clients timely and adequate services, so that potential complaints or disputes can be prevented or be resolved as quickly as possible. Poor management of the above-mentioned risks would lead to a decline in customer satisfaction, reputational damage and, ultimately, a decline in visitor numbers. In addition, the likelihood of disputes and/or administrative fines would also increase considerably.

## **RISKS RELATED TO EXCEPTIONAL EVENTS**

Events of an exceptional nature, including but not limited to extreme weather, political unrest, terrorist attacks, pandemics etc., in one of the countries where Kinopolis Group is active, and that result in material damage to one of the multiplexes, a fall in the number of customers or disruption in the delivery of products, can have a negative impact on activities. Kinopolis strives to minimise the potential impact of such risks through a combination of preventive measures (such as constructional decisions, evacuation planning) and detective measures (such as fire detection systems), and by taking out proper insurance, if available.

## **ENVIRONMENTAL LIABILITY AND PROPERTY RISKS**

The property that Kinopolis Group owns and leases is subject to regulations with regard to environmental liability and potential property risks. In addition to the above-mentioned measures to manage political and regulatory risks, Kinopolis will take the necessary measures to avoid environmental damage and limit property risks.



## OTHER RISKS

Following the annulment by the Market Court of the decisions of the Belgian Competition Authority (BMA) of 31 May 2017 and 26 April 2018 to relax the behavioural conditions imposed on Kinopolis Group in 1997 by the BMA, the Company filed an updated request in 2019 that the above-mentioned behavioural conditions be abolished, after which, on 11 February 2020, the BMA lifted the condition prohibiting organic growth without prior consent from the BMA, with effect from 12 August 2021. The other behavioural conditions, including those related to the prior approval by the BMA regarding acquisitions in Belgium, remain in force.

Furthermore, proceedings are continuing in relation to a tax ruling applied to it in 2012. On 11 January 2016, the European Commission published its decision that the Belgian tax rulings with regard to excess profit are considered to be unlawful state aid. The decision of the European Commission obliges the Belgian government to make an additional claim for tax that would have been owed if such tax rulings had not been applied. As a consequence of the decision of the European Commission, and in accordance with IAS 12, Kinopolis has set up a provision of € 9.4 million for a potential additional claim for tax on the excess profit that was not included in the taxable base due to the ruling. This amount fully covers the potential liability, including interest charges. On 1 July 2016, Kinopolis Group, together with the other companies involved, appealed against the decision of the European Commission at the European Court of Justice. In 2017, pursuant to the above-mentioned decision, the Belgian state demanded payment of the alleged owed tax, which Kinopolis paid without making any harmful admission. If the appeal of Kinopolis Group is successful, all the amounts paid will be refunded to Kinopolis. On 14 February 2019, the Court of the European Court of Justice annulled the above-mentioned decision of the European Commission. In response, the European Commission lodged an appeal, and opened an individual investigation into Kinopolis and the other companies involved. An appeal decision is expected in the second half of the year. With regard to the individual files, no deadline has yet been set for a decision.

## USE OF FINANCIAL INSTRUMENTS

Through the operation of its daily activities, Kinopolis Group is exposed to a number of financial risks, such as interest risk, currency risk, credit risk and liquidity risk.

Derivative financial products concluded with third parties can be used to manage these financial risks. The use of derivative financial products is subject to strict internal controls and regulations. It is Group policy not to undertake any trading positions in derivative financial instruments.

Kinopolis manages its debts by combining short-, medium- and long-term borrowings. The mix of debts with fixed and floating interest rates is established at Group level. At the end of December 2019, the net financial debt of the Group was € 417.0 million. Interest rate swaps were entered into for € 17.8 million in order to hedge the interest risk on a fixed-term loan that was originally for the same amount.

The Notes to the Consolidated Financial Statements provide a detailed description of how the Group manages the above-mentioned risks.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The company complies with the principles of the 2009 Code. In line with the 'comply or explain' principle, and in addition to the circumstances already described above, the Company decided that it is in the interest of the Company and its shareholders to deviate from Provision 4.6. of the Code, and the professional qualifications and functions of the directors to be reappointed were not included in the invitation to the General Meeting of 8 May 2019, as the corresponding qualifications were sufficiently known via press releases and annual reports.

# Other information

## RESEARCH AND DEVELOPMENT

In the year under review, Kinopolis developed a number of new concepts for the benefit of the operating entities within the framework of the three strategic pillars. Kinopolis is committed to constantly adapting the experience it provides to the changing demographic trends, and to being innovative with regard to picture, sound and other factors, in order to improve the customer experience and protect the profitability of the Group.

In 2019, Kinopolis thereby continued to invest in the innovation of its shop infrastructure and interior concepts.

## POLICY WITH REGARD TO CONFLICTS OF INTERESTS

On 19 March and 25 June 2019, the following decisions were taken by the Board of Directors, pursuant to Article 523 of the Companies Code:

- the evaluation of the 2018 management objectives for the CEO;
- the granting of the resulting variable remuneration to an amount of € 412 250 to the CEO;
- the establishment of the management objectives for the fiscal year 2019.

The relevant excerpts from the minutes were included in the Report on the Unconsolidated Financial Statements.

## PROFIT APPROPRIATION AND DIVIDEND PAYMENT

In its proposal to the General Shareholders' Meeting regarding the allocation and distribution of the result, various factors were taken into consideration by the Board of Directors, including the financial situation of the company, the operating profits, the current and expected cash flows and the plans for expansion.

In view of the impact of the Covid-19 virus on business operations and the potentially serious impact on the financial results for the first half of 2020, the Board of Directors proposes to the General Meeting not to distribute a dividend and to transfer the profit to the 'Retained earnings' item.

# Statement with regard to the information incorporated in the annual report

The undersigned certifies that, to his knowledge:

- The financial statements, which have been prepared in accordance with the applicable standards, give a true and fair view of the equity, financial position and performance of the Company and the entities included in the consolidation as a whole;
- The report of the Board of Directors gives a fair view of the development and performance of the business and the position of the company and the entities included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

24 March 2020

Eddy Duquenne  
CEO of Kinepolis Group





# Financial Report



# Consolidated income statement<sup>(1)</sup>

at 31 December

| IN '000 €                      | NOTE | 2018           | 2019           |
|--------------------------------|------|----------------|----------------|
| Revenue                        | 3    | 475 880        | 551 482        |
| Cost of sales                  | 6    | -345 651       | -393 886       |
| <b>Gross profit</b>            |      | <b>130 229</b> | <b>157 596</b> |
| Marketing and selling expenses | 6    | -25 246        | -27 886        |
| Administrative expenses        | 6    | -26 900        | -30 306        |
| Other operating income         | 4    | 1 904          | 2 441          |
| Other operating expenses       | 4    | -857           | -808           |
| <b>Operating profit</b>        |      | <b>79 130</b>  | <b>101 037</b> |
| Financial income               | 7    | 1 362          | 941            |
| Financial expenses             | 7    | -13 733        | -24 667        |
| <b>Profit before tax</b>       |      | <b>66 759</b>  | <b>77 311</b>  |
| Income tax expenses            | 8    | -19 350        | -22 939        |
| <b>PROFIT OF THE PERIOD</b>    |      | <b>47 409</b>  | <b>54 372</b>  |
| Attributable to:               |      |                |                |
| Owners of the Company          |      | 47 356         | 54 352         |
| Non-controlling interests      |      | 53             | 20             |
| <b>PROFIT OF THE PERIOD</b>    |      | <b>47 409</b>  | <b>54 372</b>  |
| Basic earnings per share (€)   | 19   | 1.76           | 2.02           |
| Diluted earnings per share (€) | 19   | 1.75           | 2.01           |

(1) The Group applied IFRS 16 for the first time on 1 January 2019, based on the modified retrospective approach. According to this approach, the comparative figures are not restated.

# Consolidated statement of profit or loss and other comprehensive income <sup>(1)</sup>

at 31 December

| IN '000 €   | NOTE | 2018          | 2019          |
|---|------|---------------|---------------|
| Profit of the period  |      | 47 409        | 54 372        |
| <b>Realised results</b>   |      | <b>47 409</b> | <b>54 372</b> |
| <b>Items that are or may be reclassified to profit or loss:</b>                     |      |               |               |
| Translation differences of intra-group non-current borrowings in foreign currencies | 18   | -1 650        | 1 380         |
| Translation differences of annual accounts in foreign currencies                    | 18   | -1 766        | 2 249         |
| Cash flow hedges – effective portion of changes in fair value                       |      | 2             | 42            |
| Taxes on other comprehensive income   |      | 531           | 110           |
|   |      | <b>-2 883</b> | <b>3 781</b>  |
| <b>Items that will not be reclassified to profit or loss:</b>                       |      |               |               |
| Changes to estimates of defined benefit plans                                       | 5    | 5             | -516          |
|   |      | 5             | -516          |
| <b>Other comprehensive income of the period, net of tax</b>                         |      | <b>-2 878</b> | <b>3 265</b>  |
| <b>TOTAL COMPREHENSIVE INCOME OF THE PERIOD</b>                                     |      | <b>44 531</b> | <b>57 637</b> |
| Attributable to:  |      |               |               |
| Owners of the Company   |      | 44 478        | 57 570        |
| Non-controlling interests   |      | 53            | 67            |
| <b>TOTAL COMPREHENSIVE INCOME OF THE PERIOD</b>                                     |      | <b>44 531</b> | <b>57 637</b> |

(1) The Group applied IFRS 16 for the first time on 1 January 2019, based on the modified retrospective approach. According to this approach, the comparative figures are not restated.

# Consolidated statement of financial position<sup>(1)</sup>

at 31 December

## ASSETS

| IN '000 €                          | NOTE | 2018           | 2019             |
|------------------------------------|------|----------------|------------------|
| Intangible assets                  | 9    | 9 663          | 12 987           |
| Goodwill                           | 10   | 94 863         | 169 374          |
| Property, plant and equipment      | 11   | 424 339        | 542 324          |
| Right-of-use assets                | 26   |                | 397 212          |
| Investment property                | 12   | 17 045         | 16 881           |
| Deferred tax assets                | 13   | 1 427          | 1 227            |
| Other receivables                  | 15   | 10 786         | 9 011            |
| Other financial assets             |      | 27             | 27               |
| <b>Non-current assets</b>          |      | <b>558 150</b> | <b>1 149 043</b> |
| Inventories                        | 14   | 4 918          | 5 851            |
| Trade and other receivables        | 15   | 42 998         | 53 385           |
| Current tax assets                 | 24   | 2 416          | 1 303            |
| Cash and cash equivalents          | 16   | 65 381         | 72 473           |
| Assets classified as held for sale | 17   | 6 991          | 1 767            |
| <b>Current assets</b>              |      | <b>122 704</b> | <b>134 779</b>   |
| <b>TOTAL ASSETS</b>                |      | <b>680 854</b> | <b>1 283 822</b> |

## EQUITY AND LIABILITIES

| IN '000 €  | NOTE | 2018           | 2019             |
|--|------|----------------|------------------|
| Share capital  | 18   | 18 952         | 18 952           |
| Share premium  | 18   | 1 154          | 1 154            |
| Consolidated reserves                                  |      | 161 461        | 191 448          |
| Translation reserve                                    | 18   | -4 164         | -582             |
| Total equity attributable to the owners of the Company |      | 177 403        | 210 972          |
| Non-controlling interests                              | 18   | 214            | 281              |
| <b>Equity</b>  |      | <b>177 617</b> | <b>211 253</b>   |
| Loans and borrowings                                   | 21   | 272 677        | 479 513          |
| Lease liabilities                                      | 26   |                | 383 052          |
| Provisions for employee benefits                       | 5    | 557            | 1 036            |
| Provisions   | 22   | 14 565         | 2 284            |
| Deferred tax liabilities                               | 13   | 20 518         | 20 408           |
| Derivative financial instruments                       | 25   | 211            | 169              |
| Other payables   | 23   | 10 977         | 6 939            |
| <b>Non-current liabilities</b>                         |      | <b>319 505</b> | <b>893 401</b>   |
| Bank overdrafts  | 16   | 36             | 115              |
| Loans and borrowings                                   | 21   | 69 790         | 10 099           |
| Lease liabilities                                      | 26   |                | 33 091           |
| Trade and other payables                               | 23   | 106 328        | 132 740          |
| Provisions   | 22   | 2 241          | 549              |
| Current tax liabilities                                | 24   | 5 337          | 2 574            |
| <b>Current liabilities</b>                             |      | <b>183 732</b> | <b>179 168</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>                    |      | <b>680 854</b> | <b>1 283 822</b> |

(1) The Group applied IFRS 16 for the first time on 1 January 2019, based on the modified retrospective approach. In accordance with this approach, the comparative figures are not restated.



# Consolidated cash flow statement <sup>(1)</sup>

at 31 December

| IN '000 €  | NOTE      | 2018           | 2019            |
|--|-----------|----------------|-----------------|
| Profit before tax  |           | 66 759         | 77 311          |
| Adjustment for:  |           |                |                 |
| Depreciations and amortisations  | 6         | 39 039         | 70 734          |
| Provisions and impairments   | 15, 22    | -2 865         | 568             |
| Government grants  | 4         | -1 121         | -750            |
| (Gains) Losses on the sale of fixed assets   | 4         | 261            | -1 169          |
| Change in the fair value of derivative financial instruments and unrealised foreign exchange results | 25        | -51            | 46              |
| Changes in the fair value of contingent considerations   | 7, 25     | -428           |                 |
| Unwinding of non-current receivables and provisions  | 7, 22     | -364           | -335            |
| Share-based payments   | 5         | 1 075          | 723             |
| Amortisation of refinancing transaction costs  |           | 364            | 418             |
| Interest expenses and income   | 7         | 10 359         | 20 321          |
| Change in inventory  |           | -54            | -227            |
| Change in trade and other receivables  |           | -817           | -9 999          |
| Change in trade and other payables   |           | 1 203          | 19 002          |
| <b>Cash from operating activities</b>  |           | <b>113 360</b> | <b>176 642</b>  |
| Income taxes paid  |           | -22 382        | -25 718         |
| <b>Net cash from operating activities</b>  |           | <b>90 978</b>  | <b>150 924</b>  |
| Acquisition of intangible assets   | 9         | -2 872         | -2 637          |
| Acquisition of property, plant and equipment and investment property                                 | 11, 12    | -58 332        | -60 067         |
| Advance lease payments   | 26        |                | -3 519          |
| Acquisition of subsidiaries, net of acquired cash  | 10        | -27 493        | -173 930        |
| Proceeds from sales of investment property and intangible and tangible assets                        | 9, 11, 17 | 501            | 5 942           |
| <b>Net cash flow used in investing activities</b>  |           | <b>-88 196</b> | <b>-234 211</b> |
| Investment contributions   | 21, 26    |                | 3 388           |
| Repayment of lease liabilities   | 26        |                | -20 918         |
| Acquisition / sale of non-controlling interests  | 18        | 453            |                 |
| New loans and borrowings   | 21, 25    |                | 225 000         |
| Repayment of loans and borrowings  | 21        | -39 876        | -69 221         |
| Payment of transaction costs with regard to refinancing obligations                                  | 21, 25    |                | -1 663          |
| Interest paid  | 7, 21     | -10 302        | -12 941         |
| Interest received  | 7, 21     | 15             | 59              |
| Interest paid on lease liabilities   | 21, 26    |                | -9 387          |
| Repurchase and sale of treasury shares   | 18, 25    | -20 303        |                 |
| Dividends paid   | 18, 21    | -24 533        | -24 723         |
| <b>Net cash flow – used in / + from financing activities</b>   |           | <b>-94 546</b> | <b>89 594</b>   |
| <b>+ INCREASE / - DECREASE IN CASH AND CASH EQUIVALENTS</b>  |           | <b>-91 764</b> | <b>6 307</b>    |
| Cash and cash equivalents at beginning of the period   | 16        | 157 365        | 65 345          |
| Cash and cash equivalents at end of the period   | 16        | 65 345         | 72 358          |
| Effect of movement in exchange rate fluctuations on cash and cash equivalents                        |           | -256           | 706             |
| <b>+ INCREASE / - DECREASE IN CASH AND CASH EQUIVALENTS</b>  |           | <b>-91 764</b> | <b>6 307</b>    |

(1) The Group applied IFRS 16 for the first time on 1 January 2019, based on the modified retrospective approach. In accordance with this approach, the comparative figures are not restated.

THE NOTES ON P. 42-109 ARE AN INTEGRAL PART OF THIS CONSOLIDATED ANNUAL STATEMENT.

# Consolidated statement of changes in equity <sup>(5)</sup>

at 31 December

| IN '000 €   | 2019                                  |                     |                 |                         |                              |                   |                           |                |
|---|---------------------------------------|---------------------|-----------------|-------------------------|------------------------------|-------------------|---------------------------|----------------|
|   | ATTRIBUTABLE TO OWNERS OF THE COMPANY |                     |                 |                         |                              |                   | NON-CONTROLLING INTERESTS | EQUITY         |
|   | SHARE CAPITAL AND SHARE PREMIUM       | TRANSLATION RESERVE | HEDGING RESERVE | TREASURY SHARES RESERVE | SHARE-BASED PAYMENTS RESERVE | RETAINED EARNINGS |                           |                |
| <b>AT 31 DECEMBER 2018</b>                                    | <b>20 106</b>                         | <b>-4 164</b>       | <b>54</b>       | <b>-22 830</b>          | <b>2 365</b>                 | <b>181 872</b>    | <b>214</b>                | <b>177 617</b> |
| Profit of the period  |                                       |                     |                 |                         |                              | 54 352            | 20                        | 54 372         |
| Realised results  |                                       |                     |                 |                         |                              | 54 352            | 20                        | 54 372         |
| Items that are or may be reclassified to profit or loss:      |                                       |                     |                 |                         |                              |                   |                           |                |
| Translation differences <sup>(1)</sup>                        |                                       | 3 582               |                 |                         |                              |                   | 47                        | 3 629          |
| Cash flow hedges – effective portion of changes in fair value |                                       |                     | 42              |                         |                              |                   |                           | 42             |
| Taxes on other comprehensive income <sup>(2)</sup>            |                                       |                     | 110             |                         |                              |                   |                           | 110            |
|   |                                       | 3 582               | 152             |                         |                              |                   | 47                        | 3 781          |
| Items that will not be reclassified to profit or loss:        |                                       |                     |                 |                         |                              |                   |                           |                |
| Change to estimates of defined benefit plans <sup>(3)</sup>   |                                       |                     |                 |                         |                              | -516              |                           | -516           |
|   |                                       |                     |                 |                         |                              | -516              |                           | -516           |
| Other comprehensive income of the period, net of tax          |                                       | 3 582               | 152             |                         |                              | -516              | 47                        | 3 265          |
| Total comprehensive income                                    |                                       | 3 582               | 152             |                         |                              | 53 836            | 67                        | 57 637         |
| Dividends <sup>(4)</sup>                                      |                                       |                     |                 |                         |                              | -24 723           |                           | -24 723        |
| Share-based payment transactions <sup>(4)</sup>               |                                       |                     |                 |                         | 723                          |                   |                           | 723            |
| Total transactions with owners, recorded directly in equity   |                                       |                     |                 |                         | 723                          | -24 723           |                           | -24 000        |
| <b>AT 31 DECEMBER 2019</b>                                    | <b>20 106</b>                         | <b>-582</b>         | <b>206</b>      | <b>-22 830</b>          | <b>3 088</b>                 | <b>210 985</b>    | <b>281</b>                | <b>211 254</b> |

(1) For more information, we refer to note 18.

(2) For more information, we refer to note 13.

(3) For more information, we refer to note 5.

(4) For more information, we refer to note 20.

(5) The Group applied IFRS 16 for the first time on 1 January 2019, based on the modified retrospective approach. In accordance with this approach, the comparative figures are not restated.

| IN '000 €   | 2018                                  |                     |                 |                         |                              |                   |                           |                |
|---|---------------------------------------|---------------------|-----------------|-------------------------|------------------------------|-------------------|---------------------------|----------------|
|   | ATTRIBUTABLE TO OWNERS OF THE COMPANY |                     |                 |                         |                              |                   | NON-CONTROLLING INTERESTS | EQUITY         |
|   | SHARE CAPITAL AND SHARE PREMIUM       | TRANSLATION RESERVE | HEDGING RESERVE | TREASURY SHARES RESERVE | SHARE-BASED PAYMENTS RESERVE | RETAINED EARNINGS |                           |                |
| <b>AT 31 DECEMBER 2017</b>  | <b>20 106</b>                         | <b>-1 281</b>       | <b>54</b>       | <b>-2 527</b>           | <b>1 290</b>                 | <b>158 752</b>    |                           | <b>176 394</b> |
| Profit of the period  |                                       |                     |                 |                         |                              | 47 356            | 53                        | 47 409         |
| <b>Realised results</b>   |                                       |                     |                 |                         |                              | <b>47 356</b>     | <b>53</b>                 | <b>47 409</b>  |
| Items that are or may be reclassified to profit or loss:                    |                                       |                     |                 |                         |                              |                   |                           |                |
| Translation differences   |                                       | -3 416              |                 |                         |                              |                   |                           | -3 416         |
| Cash flow hedges – effective portion of changes in fair value               |                                       |                     | 2               |                         |                              |                   |                           | 2              |
| Taxes on other comprehensive income   |                                       | 533                 | -2              |                         |                              |                   |                           | 531            |
|   |                                       | <b>-2 883</b>       | <b>0</b>        |                         |                              |                   |                           | <b>-2 883</b>  |
| Items that will not be reclassified to profit or loss:                      |                                       |                     |                 |                         |                              |                   |                           |                |
| Change to estimates of defined benefit plans <sup>(1)</sup>                 |                                       |                     |                 |                         |                              | 5                 |                           | 5              |
|   |                                       |                     |                 |                         |                              | 5                 |                           | 5              |
| <b>Other comprehensive income of the period, net of tax</b>                 |                                       | <b>-2 883</b>       | <b>0</b>        |                         |                              | <b>5</b>          |                           | <b>-2 878</b>  |
| <b>Total comprehensive income</b>   |                                       | <b>-2 883</b>       | <b>0</b>        |                         |                              | <b>47 361</b>     | <b>53</b>                 | <b>44 531</b>  |
| Dividends   |                                       |                     |                 |                         |                              | -24 533           |                           | -24 533        |
| Treasury shares acquired / sold   |                                       |                     |                 | -20 303                 |                              |                   |                           | -20 303        |
| Share-based payment transactions <sup>(2)</sup>                             |                                       |                     |                 |                         | 1 075                        |                   |                           | 1 075          |
| Acquisition / sale of non-controlling interests, without changes in control |                                       |                     |                 |                         |                              | 292               | 161                       | 453            |
| <b>Total transactions with owners, recorded directly in equity</b>          |                                       |                     |                 | <b>-20 303</b>          | <b>1 075</b>                 | <b>-24 241</b>    | <b>161</b>                | <b>-43 308</b> |
| <b>AT 31 DECEMBER 2018</b>  | <b>20 106</b>                         | <b>-4 164</b>       | <b>54</b>       | <b>-22 830</b>          | <b>2 365</b>                 | <b>181 872</b>    | <b>214</b>                | <b>177 617</b> |

(1) For more information, we refer to note 5.  
(2) For more information, we refer to note 20.

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# 1. Significant accounting policies

Kinepolis Group NV (the 'Company') is a company established in Belgium. The consolidated financial statements of the Company for the year ending 31 December 2019 include the Company and its subsidiaries (together referred to as the 'Group'). These consolidated financial statements were approved for publication by the Board of Directors on 24 March 2020.

## STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board (IASB) and adopted by the European Union until 31 December 2019.

## BASIS OF PREPARATION

The consolidated financial statements are presented in Euro, rounded to the nearest thousand. In certain cases, rounding up or down can lead to a non-material deviation of the total amount. The consolidated financial statements were drawn up on a historical cost basis, with the exception of the following assets and liabilities, which are recorded at fair value: derivative financial instruments, contingent considerations and financial assets measured at fair value through other comprehensive income.

In accordance with IFRS 5, assets classified as held for sale are measured at the lower of their carrying amount and fair value, less costs to sell.

The accounting policies have been applied consistently across the Group. In 2019, the accounting policies have been adjusted to the changes of the IFRS 16 standard and the IFRIC 23 interpretation.

A number of new standards, which were applied as of 1 January 2019 became applicable to the consolidated financial statements. These have given rise to limited changes in the accounting policies of the Group, but have no material impact on the consolidated financial statements, except for the impact of the implementation of IFRS 16.

The preparation of the financial statements under IFRS requires management to make judgements, estimates and assumptions that influence the application of the policies and the reported amounts of assets and liabilities, income and expenses.

The estimates and related assumptions are based on past experience and on various other factors that are considered reasonable in the given circumstances. The

outcomes of these form the basis for the judgement as to the carrying amount of assets and liabilities when this is not evident from other sources.

Actual results can differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of estimates are recognised in the period in which the estimates are revised if the revision affects only this period, or in the revision period and future periods if the revision affects both the reporting period and future periods.

Judgements, estimates and assumptions are made, among other things, when:

- Determining the useful life of intangible assets and property, plant and equipment (see the related accounting policies);
- Assessing the necessity of and estimating impairment losses on intangible assets, goodwill and property, plant and equipment;
- Recording and calculating provisions;
- Assessing the degree to which losses carried forward will be used in the future;
- Determining the fair value of the contingent considerations within the framework of business combinations (see notes 10 and 25);
- Determining whether a lease meets the requirements of IFRS 16;
- Determining the term of the leases under IFRS 16.

The estimates and assumptions with a significant probability of causing a material adjustment to the value of the assets and liabilities during the next financial period are stated below.

## IMPAIRMENT TESTS FOR INTANGIBLE ASSETS, GOODWILL AND PROPERTY, PLANT AND EQUIPMENT

The recoverable amount of the cash-generating units is defined as the higher of their value in use or their fair value less costs to sell. These calculations require the use of estimates and assumptions with regard to, among other things, discount rates and exchange rates, future investments and expected operating efficiency. We refer to note 10 for the relevant assumptions.

## PROVISIONS

The estimates and judgements that most impact the amount of the provisions are the estimated costs and the expected likelihood and timing of the cash outflows. They are based on the most recent available information at balance sheet date. We refer to note 22 for the relevant assumptions.

### **RECOVERABILITY OF DEFERRED TAX ASSETS**

Deferred tax assets for unused tax losses will only be recognised if future taxable profits will be available to be able to recover these losses (based on budgets and estimates). The budgets and estimates are further expanded to future expected taxable profits in order to analyse the recoverability of the losses and credits.

The actual tax result may differ from the assumption made when the deferred tax was recorded. For more information, we refer to note 13.

### **LEASES (IFRS 16): DETERMINING WHETHER A LEASE MEETS THE REQUIREMENTS AND DETERMINING THE TERM OF A LEASE**

A contract is classified as a lease if it includes the right to control the use of an identified asset for a specified period of time in exchange for a consideration. When determining the term of a lease, the Group took into account any possible extension options and whether or not to exercise an early termination option. This is assessed for each contract separately. For more information, we refer to note 26.

Other assumptions and estimates will be discussed in the respective notes where they are used.

## **BASIS OF CONSOLIDATION**

### **BUSINESS COMBINATIONS**

Business combinations are accounted for using the acquisition method on the date when control is transferred to the Group (see Basis of Consolidation – Subsidiaries). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see Intangible assets – Goodwill). Any gain on an advantageous purchase is immediately recognised in profit or loss. Transaction costs are expensed as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay a contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in the income statement.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), and if they relate to services provided in the past, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. The determination is based on the market value of the replacement awards compared with the market value of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

### **SUBSIDIARIES**

Subsidiaries are those entities over which the company exercises control. Control means that the company is exposed to, or has rights to variable returns from its involvement in the entity, and has the ability to affect these returns through its power over the entity.

The financial statements of subsidiaries are recognised in the consolidated financial statements from the date that control commences, until the date that control ceases.

Losses realised by subsidiaries with non-controlling interests are proportionally allocated to the non-controlling interests in these subsidiaries, even if this means that the non-controlling interests display a negative balance.

If the Group no longer has control over a subsidiary, all assets and liabilities of the subsidiary, any non-controlling interests and other equity components with regard to the subsidiary are derecognised. As a result of the loss of control, certain components are recorded in the income statement. Any remaining interest in the former subsidiary will be recognised at fair value on the date of the loss of control, after which it will be recognised as an associated company or as a financial asset measured at fair value, depending on the level of control retained.

### **EQUITY ACCOUNTED INVESTEEES**

Equity accounted investees are entities over which the Group exercises significant influence over the financial and operating policies, but has no control or joint control. Significant influence is deemed to exist when the Group holds between 20 and 50 percent of the voting rights of another entity. Participating interests in equity accounted investees are recorded using the equity method, and are initially recognised at cost. The transaction costs are included in the cost price of the investment.

The consolidated financial statements include the Group's share in the comprehensive income of the investments, which is recorded following the equity method, from the start to the end date of this significant influence. Whenever the Group's share in the losses exceeds the carrying amount of the investments in equity accounted investees, the carrying amount is reduced to zero and future losses are no longer recognised, except to the extent that the Group has an obligation on behalf of the investees. When there are impairment indicators, the accounting policy concerning impairment losses is applied.

#### **ACQUISITION OF NON-CONTROLLING INTERESTS**

The acquisition of non-controlling interests in a subsidiary does not lead to the recognition of goodwill, because this is deemed to be a share transaction and is recognised directly in equity. The non-controlling interests are adjusted on the basis of the proportional part in the equity of the subsidiary.

#### **TRANSACTIONS ELIMINATED ON CONSOLIDATION**

Intercompany balances and transactions, along with any unrealised gains and losses on transactions within the Group or gains or losses from such transactions, are eliminated in the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated proportionally to the Group's interest in the investee.

Unrealised losses are eliminated in the same way as unrealised gains, but only where there is no indication of impairment.

## **FOREIGN CURRENCY**

#### **TRANSACTIONS IN FOREIGN CURRENCIES**

Transactions in foreign currencies are translated to the relevant functional currency of the Group entities at the exchange rate on the transaction date. Monetary assets and liabilities expressed on the balance sheet date in foreign currencies are translated to Euro at the exchange rate on the balance sheet date. Non-monetary assets and liabilities expressed in foreign currency are translated at the exchange rate on the transaction date.

Non-monetary assets and liabilities in foreign currencies measured at fair value are translated to Euro at the exchange rates on the date on which the fair value was determined. Exchange rate differences that arise in the translation are immediately recognised in the income statement, with the exception of:

- Exchange rate differences with regard to instruments that are measured at fair value through other comprehensive income;
- Exchange rate differences arising from the translation of the net investment in foreign operations, and from loans and other currency instruments intended as hedges of such investments, included in other comprehensive income;
- Qualifying cash flow hedges to the extent that the hedges are effective.

Advance payments in foreign currencies are translated at the exchange rate on the transaction date specified in IFRIC 22. The transaction date, as a basis for determining the exchange rate, is set on the initial date on which the non-monetary assets and liabilities are recognised. If multiple advance payments are applicable, a transaction date is determined for each advance payment.

#### **FINANCIAL STATEMENTS IN FOREIGN CURRENCIES**

Assets and liabilities relating to foreign operations, including goodwill and fair value adjustments on acquisition, are translated to Euro at the exchange rate on the balance sheet date. Income and expenses of foreign entities are translated to Euro at exchange rates approaching the exchange rates prevailing on the transaction dates.

The exchange differences arising from the translation are recognised directly in equity, under translation reserve.

If the settlement of monetary receivables from, or payables to foreign entities is neither planned nor likely in the foreseeable future, exchange rate gains and losses on these monetary items are deemed to be part of the net investment in these foreign entities, and are recognised in other comprehensive income, under the translation differences. Translation differences that arise from the revaluation of non-current loans from foreign subsidiaries with a different functional currency are also included in other comprehensive income in equity, as they form part of a net investment hedge of the participating interests in the same subsidiaries. The potential repayments of these loans are not considered to be a realisation of the net investment. Consequently, no reclassification to the income statement takes place.

## FINANCIAL INSTRUMENTS

Issued loans, receivables and deposits, issued debt instruments and loans received are initially recognised by the Group on the date they originated. All other financial assets and liabilities are initially recognised on the transaction date. The transaction date is the date on which the contractual terms of the instrument become binding for the Group.

IFRS 9 has three classifications for financial assets: measured at amortised cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss. This classification is based on the 'business model' in which the financial assets are managed, and on the contractual cash flows that result from these financial assets. The business model used to manage the financial assets determines whether the cash flow results from:

- A contractual cash flow;
- A sale of financial assets; or
- A combination of both.

This contractual cash flow may relate to payments of the principal amount (capital) and interest on the outstanding amount.

### NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value plus (or minus for loans and borrowings), for instruments not measured at fair value with changes in value recognised through profit or loss, any directly attributable transaction costs. After the initial recognition, non-derivative financial instruments are measured as described below.

#### Financial assets measured at amortised cost

Financial assets are measured at amortised cost when the business model aims to hold the financial assets to obtain the contractual cash flows.

The contractual cash flows consist of the repayment of the principal amount (capital) and interest on the outstanding amount and on specific dates.

After the initial recognition, these financial assets are measured at amortised cost using the effective interest method, less impairment losses, if any.

Significant financial assets measured at amortised cost are individually tested for impairment. The other financial assets measured at amortised cost are classified in groups with comparable credit risk characteristics, and are assessed collectively. When assessing whether there is a collective impairment, the Group uses historical trends with regard to the likelihood that payment obligations will not be fulfilled, the time period within which collection occurs, and the level of the losses incurred. The outcomes are adjusted if management judges that the current economic and credit circumstances are such that it is likely that the actual losses will be higher or lower than the historical trends imply.

An impairment loss is determined as the difference between the carrying amount and the present value of the expected future cash flows, discounted at the original effective interest rate of the asset. Current receivables are not discounted. Impairment losses are recognised in the income statement. If an event leads to a reduction of the impairment, this reduction is reversed through profit or loss.

Financial assets measured at amortised cost include cash and cash equivalents, which are cash and deposits with a residual maturity of less than three months and where the risk of changes in fair value is negligible. Bank overdrafts, which are an integral part of the Group's cash management, are viewed as part of cash and cash equivalents in the presentation of the cash flow statement.

#### Financial assets measured at fair value through other comprehensive income

Financial assets are measured at fair value, with the recognition of changes in value through other comprehensive income when the business model aims to both hold the financial assets to obtain the contractual cash flows and to sell the financial assets. The contractual cash flows consist of the repayment of the principal amount (capital) and interest on the outstanding amount.

In addition, the Group can make the irrevocable choice to measure equity instruments that are measured at fair value through profit or loss at fair value through other comprehensive income. This choice is irrevocable and is only allowed in order to eliminate or limit an inconsistency in the measurement on initial recognition.



These financial assets measured at fair value through other comprehensive income are measured at fair value after initial recognition. Gains and losses resulting from the change in fair value of a participating interest that is classified as a financial asset measured at fair value through other comprehensive income are recognised directly via equity. When the participating interest is sold, disposed or otherwise disposed of, the profit or loss accumulated at that point, which was previously included in equity, will not be transferred to profit or loss. When repayments are made on the financial assets, or when the carrying amount of the participating interest is written off due to an impairment, the profit or loss accumulated at that point, which was previously included in equity, will not be transferred to profit or loss, but to other comprehensive income.

Impairment losses on financial assets recognised at fair value through other comprehensive income are only recognised for debt instruments. In accordance with IFRS 9, there are no impairment losses for equity instruments.

The impairment losses on debt instruments are recognised by transferring the accumulated loss in the fair value reserve in equity to profit or loss. The amount of the cumulative loss transferred from equity to profit or loss is equal to the difference between the acquisition price, less any repayment of the principal amount, and the actual fair value, less any impairment loss that has already been recognised in profit or loss.

Changes in provisions for impairment losses that are attributable to the application of the effective interest method are included in interest income.

If in a subsequent period the fair value of a financial asset measured at fair value through other comprehensive income increases, the recovered amount is recognised in other comprehensive income.

Financial assets measured at fair value through other comprehensive income include investments in equity securities, i.e. participating interests in companies over which the Group has no control or significant influence.

#### **Financial assets measured at fair value through profit or loss**

Financial assets are measured at fair value through profit or loss if the conditions of the above categories are not met, or if the Group irrevocably chooses debt instruments that are measured at fair value through other comprehensive income to be measured at fair value through profit or loss account. This choice is irrevocable,

and is only allowed in order to eliminate or limit an inconsistency in the valuation on initial recognition.

After initial recognition, these financial assets are measured at fair value with fair value changes through profit or loss.

#### **Financial liabilities**

Financial liabilities can be classified as financial liabilities at amortised cost or as financial liabilities at fair value with the recognition of changes in value through profit or loss.

After initial recognition, the first category is measured at amortised cost using the effective interest method, including any interest expense, while the second is measured at fair value with fair value changes through profit or loss.

#### **Expected credit losses**

Impairment losses on financial assets are determined as follows:

- The 12-month expected credit losses: these are expected credit losses that result from possible default events that take place within 12 months after the end of the reporting date.
- Expected credit losses over the full life cycle: these are expected credit losses that result from possible default events over the expected life of a financial instrument.

The determination on the basis of expected credit losses over the full life cycle always applies to trade receivables without a significant financing component.

#### **DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES**

##### **Financial assets**

The Group derecognises a financial asset when (i) the contractual rights to the cash flows arising from the financial asset expire, (ii) it transfers the rights to the cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or (iii) in a transaction in which the Group neither transfers nor retains the risks and benefits, but no longer retains control of the financial asset.

When the Group enters into a transaction in which it transfers financial assets that are included in the balance sheet, but retains substantially all risks and benefits of the transferred assets, the transferred assets remain recognised in the balance sheet.

### **Financial liabilities**

The Group derecognises a financial liability when the contractual obligations are terminated or expired. The Group also derecognises a financial liability if the conditions are changed and the cash flows of the changed financial liability are significantly different, in which case a new financial liability is recognised at fair value based on the changed conditions.

When a financial liability is derecognised, the difference between the carrying amount and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the income statement.

### **OFFSETTING**

The financial assets and financial liabilities are offset and the net amount is recognised in the consolidated balance sheet if, and only if, the Group has a legally enforceable right to offset the amounts and it intends to settle the financial instruments on a net basis or to realise the financial asset and settle the financial liability simultaneously.

### **SHARE CAPITAL**

*Ordinary shares* are classified as equity. Additional costs that are directly attributable to the issuance of ordinary shares and share options are deducted from equity, after deducting any tax effects.

*Treasury shares*: when share capital, classified as equity, is reacquired by the Company, the amount paid, including the directly attributable costs, is viewed as a change in equity. Purchased treasury shares are recognised as a deduction of equity. The profit or loss pursuant to the sale or cancellation of treasury shares is directly recognised in equity.

*Dividends* are recognised as amounts payable in the period in which they are declared.

### **DERIVATIVE FINANCIAL INSTRUMENTS**

The Group uses derivative financial instruments to manage the exchange rate and interest risks deriving from operational, financial and investment activities. Under its treasury management policy, the Group does not use derivative financial instruments for trading purposes. Derivative financial instruments that do not meet the requirements of hedge accounting are, however, accounted for in the same way as derivatives held for trading purposes.

Derivative financial instruments are initially measured at fair value. Attributable transaction costs are expensed in the income statement as incurred. Subsequent to initial recognition, these instruments are measured at fair value. The accounting treatment of the resulting profits or losses depends on the nature of the derivative financial instrument.

The fair value of derivative financial instruments is the estimated amount that the Group will obtain or pay in an orderly transaction on the balance sheet date at the end of the contract in question, with reference to present interest and exchange rates and the creditworthiness of the counterparty.

### **HEDGING**

#### **Cash flow hedges**

Whenever derivative financial instruments serve to hedge the variability in cash flows of a liability or a highly probable future transaction, the effective portion of the changes in fair value of these derivatives is recorded directly in equity. When the future transaction results in the recording of a non-financial asset or liability, the cumulative profits or losses are removed from equity and transferred to the carrying amount of the asset or liability. In the other case, the cumulative profits or losses are removed from equity and transferred to the income statement at the same time as the hedged transaction. The non-effective portion of profits is recognised immediately in the income statement. Profits or losses deriving from changes in the time value of derivatives are not taken into consideration in determining the effectiveness of the hedging transaction, and are recognised immediately in the income statement.

At the initial recognition of a derivative financial instrument as a hedging instrument, the Group formally documents the relationship between hedging instrument and hedged item, including its risk management goals and strategy when entering the hedging transaction, the risk to be hedged and the methods used to assess the effectiveness of the hedge relationship. When entering the hedge relationship and subsequently, the Group assesses whether, during the period for which the hedge is designated, the hedging instruments are expected to be 'highly effective' in offsetting the changes in fair value or cash flows allocated to the hedged positions and whether the actual results of each hedge are within the range of 80% to 125%. A cash flow hedge of an expected transaction requires that it is highly likely that the transaction will occur and that this transaction results in exposure to the variability of cash flows such that this can ultimately impact the reported profit or loss.

Whenever a hedging instrument or hedge relationship is ended, but the hedged transaction has still not taken place, the cumulative gains or losses remain in equity and will be recognised in accordance with the above policies once the transaction takes place.

When the hedged transaction is no longer likely, the cumulative gains or losses included in equity are immediately recorded in the income statement.

#### **Fair value hedges**

Hedge accounting is not applied to derivative instruments that are used for fair value hedging of foreign currency denominated monetary assets and liabilities. Changes in the fair value of such derivatives are recognised in the income statement as part of the foreign exchange gains and losses.

## **PROPERTY, PLANT AND EQUIPMENT**

### **OWNED ASSETS**

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairments (see below). The cost of self-constructed assets includes the cost price of the materials, direct employee benefit expenses, any costs of dismantling and removal of the asset and the costs of restoring the location where the asset is located. Where parts of an item of property, plant and equipment have different useful lives, these are accounted for as separate property, plant and equipment items. The fair value of the land and buildings from acquisition is established on the basis of a valuation report or a concrete offer.

Gains and losses on the sale of property, plant and equipment are determined by comparing the sales proceeds with the carrying amount of the assets, and are recognised within other operating income and expenses in the income statement.

### **SUBSEQUENT EXPENDITURE**

The cost price of replacing part of property, plant and equipment is included in the carrying amount of the asset whenever it is probable that the future economic benefits relating to the assets will flow to the Group and the cost price of the assets can be measured reliably. The replaced part of property, plant and equipment will therefore be derecognised, and the result of the remaining carrying amount will be included in the income statement. The costs of the daily maintenance of property, plant and equipment are recognised in the income statement as and when incurred.

## **DEPRECIATIONS**

Depreciation is charged to the income statement using the straight-line method over the expected useful life of the asset, and of the separately recorded major components of an asset. It begins when the asset is ready for its intended use. The residual value, useful lives and depreciation methods are reviewed annually. Land is not depreciated. The fair value adjustments for buildings from acquisition are depreciated over the estimated expected remaining useful life.

The estimated useful lives are as follows:

- buildings: 30 years
- photovoltaic panels: 20 years
- building fixtures: 5 – 15 years
- computers: 3 years
- machinery and equipment: 5 – 10 years
- furniture and vehicles: 3 – 10 years

## **LEASES**

The Group applied **IFRS 16: Leases** for the first time on 1 January 2019. The Group leases several sites, buildings, cars, equipment for in-theatre sales and projection equipment.

A contract is classified as a lease if it includes the right to control the use of an identified asset for a specified period of time, in exchange for a consideration. Leases are recognised as right-of-use assets and the corresponding lease liabilities at the date on which the leased asset is available for use by the Group.

The lease term considered in the calculation of the lease liabilities is determined on the basis of the underlying lease contracts, taking into account any extensions that can be estimated with reasonable certainty.

The Group submits all its lease contracts to an extensive analysis to determine whether the contracts meet the lease definition. The Group has thereby decided to make use of the following exemptions:

- leases with a lease term of 12 months or less;
- leases for which the underlying asset has a limited value.

The payments for the exempt leases are recognised as an expense in the income statement.

The definitions of the covenants have been adapted to the new standard IFRS 16: Leases.

## **RIGHT-OF-USE ASSETS**

Right-of-use assets are measured at the cost that includes:

- initial recognition of the lease liabilities;
- advance lease payments;
- initial direct costs;
- estimated costs for dismantling and repairs;
- leasehold inducements.

The right-of-use assets are depreciated on a straight-line basis, from the commencement date of the agreement, over the lease term, taking into account extensions that can be estimated with reasonable certainty. If the ownership of the leased asset is transferred to the Group at the end of the lease term or if the costs of the right-of-use assets reflect that the Group will exercise a purchase option, the right-of-use assets are depreciated over the useful life of the underlying asset. The useful life is determined in the same way as for other property, plant and equipment.

In addition, the right-of-use assets are reduced by impairments where applicable, and are adjusted for certain remeasurements to the lease liabilities.

## **LEASE LIABILITIES**

Lease liabilities are initially measured at the present value of future lease payments. Only the lease component of the payment is recognised. The lease payments are discounted at the rate implicit in the lease, or, if this is not available, at the average interest rate of the Group. As the Group makes use of a general financing policy, this is the average interest rate of the Group for external financing.

Lease payments recognised in the valuation of the lease liabilities include:

- fixed lease payments;
- minimum variable lease payments based on an index or rate;
- amounts that are expected to be payable under a residual value guarantee;
- the exercise price of a purchase option that the Group will exercise with reasonable certainty, lease payments in an optional extension period that the Group believes will be exercised with reasonable certainty, and penalties for early termination of a lease, unless the Group is reasonably certain that it will not end early.

Lease liabilities are remeasured whenever there is a change in future lease payments as a result of a change in an index or a rate, if there is a change in the estimate of the amount that the Group will owe under a residual value guarantee, if the Group assesses whether or not it will exercise an option to purchase, extend or terminate, or if there is a change in expected future lease payments. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use assets. If the right-of-use assets no longer have a carrying amount, this is recognised in the income statement.

All lease payments that expire within 12 months are recognised as current liabilities. All lease payments that expire after 12 months are recognised as non-current liabilities.

Lease payments are split into the repayment of the lease liability and the financial interest cost. Interests are recognised as an expense in the income statement.

## **LEASES AS LESSOR**

The Group leases out its investment properties and owned land and buildings. The Group has classified these leases as operating leases.

For the leases in which the Group acts as a lessor, each of the leases must be classified as an operating or finance lease. A lease is classified as a finance lease if substantially all of the risks and rewards associated with ownership of an underlying asset are transferred. If this is not the case, the lease is recognised as an operational lease.

The Group is not required to make any adjustments in the transition to IFRS 16 for leases in which it acts as a lessor, with the exception of subleases.

The Group also leases out parts of leased buildings, which, under the application of IFRS 16, are recognised under Right-of-use assets. The Group assessed the classification of the subleases with reference to the right-of-use assets rather than the underlying assets, and concluded that all subleases are classified as operating leases.

Income from leases, both fixed and variable, is recognised as lease income. If an agreement contains both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract. We refer to the related accounting policies.

## INVESTMENT PROPERTY

Investment property is property that is held in order to earn lease income or for capital appreciation or both, but is not intended for sale in the context of usual business operations, for use in the production, for delivery of goods or for administrative purposes.

Investment property is measured at cost, less accumulated depreciation and impairments. The accounting policies for property, plant and equipment apply.

Lease income from investment property is accounted for as described below in the accounting policy for revenue.

IAS 40 requires real estate to be transferred to or from investment property whenever there is an actual change in use. A change in management intention alone does not support a transfer.

## INTANGIBLE ASSETS AND GOODWILL

### GOODWILL

Goodwill arising from an acquisition is determined as the positive difference between the fair value of the consideration transferred plus the carrying amount of any non-controlling interest in the acquired entity, on the one hand, and the fair value of the acquired identifiable assets and liabilities, on the other. If this difference is negative, it is immediately recognised in the income statement.

Goodwill is measured at cost less impairment losses. In respect of equity accounted investees, the carrying amount of the investment in the entity also includes the carrying amount of the goodwill. Goodwill is not amortised. Instead, it is subject to an annual impairment test.

### INTANGIBLE ASSETS

Intangible assets acquired by the Group are measured at cost less accumulated amortisation and impairment losses (see below). Costs of internally generated goodwill and brands are recognised in the income statement as incurred. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, or whenever there is a valid reason to do so. The indefinite life is reassessed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made prospectively.

### INTERNALLY GENERATED INTANGIBLE ASSETS

Development activities entail a plan or design for the production of new or fundamentally improved products and processes. Internally developed intangible assets are capitalised whenever the development costs can be reliably determined, the product or process is technically and commercially feasible, the future economic benefits are probable, and the Group intends and has sufficient resources to complete the development and to actively use or sell it. The cost of internally generated intangible assets includes all costs directly attributable to the asset, primarily direct employee benefit expenses.

Other development costs and expenditures for research activities are expensed to the income statement as and when incurred.

### SUBSEQUENT EXPENDITURE

Subsequent expenditure in respect of intangible assets is capitalised only when it increases the future economic benefits specific to the related asset. All other expenditure is expensed as incurred.

### AMORTISATION

Amortisation is charged to the income statement by the straight-line method over the expected useful life of the intangible assets. Intangible assets are amortised from the date on which they are ready for their intended use. Their estimated useful life is 3 to 10 years. The residual value, useful lives and amortisation methods are reviewed annually.

## INVENTORIES

Inventories are measured at the lower of cost or net realisable value. The net realisable value is equal to the estimated sale price less the estimated costs of completion and selling expenses.

The cost of inventories includes the costs incurred in acquiring the inventories and bringing them to their present location and condition. Inventories are measured according to the latest purchase price.

## IMPAIRMENT LOSSES

The carrying amounts of the non-financial assets of the Group, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is an indication of impairment, the recoverable amount of the asset is estimated. In case of goodwill and intangible assets with an indefinite useful life or which are not yet ready for their intended use, the recoverable amount is estimated at the same date each year. An impairment loss is recorded whenever the carrying amount of an asset, or the cash-generating unit to which the asset belongs, is higher than the recoverable amount.

The recoverable amount is the higher of the value in use or the fair value less costs to sell. When determining the value in use, the discounted value of the estimated future cash flows is calculated using a proposed weighted average cost of capital, that reflects both the current market rate and the specific risks with regard to the asset or the cash-generating unit. Where an asset does not generate significant cash flows by itself, the recoverable amount is determined based on the cash-generating unit to which the asset belongs. Goodwill acquired in a business combination is allocated to groups of cash-generating units that are expected to benefit from the synergies of the combination.

Impairment losses are recorded in the income statement. Impairment losses recorded with respect to cash-generating units are first deducted from the carrying amount of any goodwill assigned to cash-generating units (or groups of units), and then deducted proportionally from the carrying amount of the other assets of the unit (or group of units), excluding financial assets.

An impairment is reversed when the reversal can be objectively linked to an event occurring after the impairment was recorded. A previously recorded impairment is reversed when a change has occurred in the estimates used to determine the recoverable value, but not in a higher amount than the net carrying amount that would have been determined if no impairment had been recorded in previous years. Goodwill impairments are not reversed.

## ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets (or groups of assets and liabilities being disposed of) that are expected to be recovered mainly via a sales transaction and not through the continuing use thereof are classified as held for sale. Directly prior to this classification, the assets (or the components of a group of assets being disposed of) are remeasured in accordance with the financial accounting policies of the Group. Hereafter, the assets (or a group of assets to be disposed of) are measured on the basis of their carrying amount or, if lower, fair value less cost to sell. Non-current assets are no longer depreciated as soon as they are classified as held for sale. Any impairment loss on a group of assets being disposed of is allocated in the first place against goodwill and then, proportionally, against the remaining assets and liabilities, except that no impairments are allocated against inventories, financial assets, deferred tax assets and employee benefit assets, which will continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification and gains and losses on subsequent measurement are recognised in the income statement.

## EMPLOYEE BENEFITS

### SHORT-TERM EMPLOYEE BENEFITS

Short-term employment benefit obligations include wages, salaries and social security contributions, holiday pay, continued payment of wage in the event of illness, bonuses and benefits in kind. These are expensed when the services in question are provided. Some of the Group's employees are eligible for a bonus, based on personal performance and financial objectives. The amount of the bonus that is recognised in the income statement is based on an estimation at the balance sheet date.

### POST EMPLOYMENT BENEFITS

Post employment benefits include the pension plans. The Group provides post-retirement remuneration for some of its employees in the form of 'defined contribution plans'.

### DEFINED CONTRIBUTION PLANS

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined pension plans are recognised as an employee benefit expense in the income statement in the periods during which related services are rendered by employees.

In Belgium, employers are obliged to guarantee a minimum return on defined contribution plans throughout the employee's career (Art. 24 of the Law of 28 April 2003 – WAP). To the extent that the legally guaranteed return is adequately covered by the insurance company, the Group has no further payment obligation towards the insurance company or the employee beyond the pension contributions, recognised through profit and loss in the year in which they are owed. As a consequence of this guaranteed minimum return, all Belgian plans with defined contributions under IFRS are qualified as defined contribution plans.

The liability recognised on the balance sheet for these defined contribution plans is the current value of the future benefit obligations that employees have accrued in the fiscal year and previous years, minus the fair value of the fund investments. The liability is calculated periodically by an independent actuary using the 'projected unit credit method'. The fair value of the fund investments is determined as the mathematical reserves that are accrued within the insured plans.

Revaluations of the net liability arising from defined pension plans, which consist of actuarial profit and loss, the return on the fund investments (excluding interest) and the effect of the asset ceiling (if present, excluding interest), are recognised directly in other comprehensive income.

The Group determines the net liability (the net asset) ensuing from defined contribution plans for the fiscal year using the discount rate employed to value the net liability (the net asset) at the beginning of the fiscal year, with due consideration for any changes to the net liability (the net asset) during the fiscal year as a consequence of contributions and payouts. Net interest charges and other charges with regard to defined contribution plans are recognised in profit and loss.

If the pension entitlements arising from a plan are changed or a plan is restricted, the resulting change in entitlements with regard to past service or the profit or loss on that restriction is recognised directly in profit or loss. The Group justifies profit or loss on the settlement of a defined contribution plan at the time of that settlement.

#### **SHARE-BASED PAYMENTS AND RELATED BENEFITS**

The stock option plan enables Group employees to acquire shares of the Company. The option exercise price is equal to the average of the closing price of the

underlying shares over thirty days prior to the date of offer. No compensation costs or liabilities are recognised.

Share transactions with employees are charged to the income statement over the vesting period, based on the fair value on the date of offering, with a corresponding increase in equity. The fair value is determined using an option valuation model. The amount expensed is determined on the basis of the number of awards for which the service conditions are expected to be fulfilled.

To hedge its liabilities within the framework of the allocation of stock options to its Directors and executives, the Group buys back its treasury shares at the specific times those options are allocated. This can occur by means of several buybacks. These shares will be charged to equity on transaction date for the sum paid, including the related costs. When the options are exercised, treasury shares are derecognised by applying the FIFO-principle on the total package of shares purchased that were allocated to the options in question. The difference between the option exercise price and the average price of the shares in question is recognised directly in equity.

#### **TERMINATION BENEFITS**

Termination benefits are expensed when the Group can no longer withdraw the offer of those benefits or, if earlier, when the Group recognises the restructuring expenses. If benefits are payable more than twelve months after the reporting date, they are then discounted to their present value.

#### **PROVISIONS**

A provision is recorded in the statement of financial position whenever the Group has an existing (legal or constructive) obligation as a result of a past event and where it is probable that the settlement of this obligation will result in an outflow of resources containing economic benefits. Where the effect is material, provisions are measured by discounting the expected future cash flows at a pre-tax discount rate that reflects both the current market assessment of the time value of money and, where applicable, the risks inherent to the obligation.

#### **RESTRUCTURING**

A provision for restructuring is set up whenever the Group has approved a detailed, formal restructuring plan and the restructuring has either been commenced or publicly announced before the balance sheet date. No provisions are recognised for future operating costs.

### **SITE RESTORATION**

In accordance with the contractual obligations of the Group, a provision for site restoration is set up whenever the Group is obliged to restore land to its original condition.

### **ONEROUS CONTRACTS**

A provision for onerous contracts is set up whenever the economic benefits expected from a contract are lower than the unavoidable costs of meeting the contract obligations. Before a provision is set up, the Group first recognises any impairment loss on the assets relating to the contract. For more information, we refer to note 22.

## **REVENUE**

### **SALES OF GOODS AND SERVICES**

The Group applies the 5-step model to include revenue in the income statement. When selling goods or services, the Group will recognise the proceeds of the amount to which the Group expects to be entitled in exchange for those goods or services. In order to apply this principle, the Group must go through the following steps:

1. identification of the contract with a customer;
2. identification of the performance obligations in the contract;
3. determination of the transaction price;
4. allocation of the transaction price to the performance obligations in the contract; and
5. recognition of revenue when the company fulfils a performance obligation.

More specifically, the Group will apply the following principles and recognition rules when selling goods and delivering services:

- Box office is the result of the sale of cinema tickets (and 3D glasses). Box office sales are recognised as revenue on the date of the showing of the film they relate to;
- In-theatre sales (ITS) include all revenue from the sale of beverage, snacks and merchandising in the complexes. In-theatre sales are recognised as revenue at the checkout;
- Revenue from the advance sale of tickets or other prepaid gift vouchers are recognised in current liabilities, and are recognised as revenue when the ticket holder uses the ticket.

- Gift vouchers that have not been exercised ('breakage fees') are recognised as revenue, taking into account the expected non-redemption, and no later than the expiry date of the gift vouchers;
- Revenue from exchange deals is recognised as revenue at the moment the service has been delivered;
- Events (business-to-business) are recognised as revenue when the event takes place. If the event takes place over a longer period of time, the revenue is recognised in the income statement on a straight-line basis over the duration of the event;
- Turnover resulting from screen advertising is recognised as revenue spread over the period (number of film days per month) in which the advertisement is shown;
- Turnover from promotions (business-to-customer) is recognised as revenue when the promotion takes place;
- The theatrical revenue from film distribution is recognised over the term of the film based on the number of visitors. The revenue from after theatrical rights are recognised in the first period on the basis of usage, and in the following period on the basis of a fixed price that is recognised as one-off revenue when the rights are transferred. Whereas the Group does not act as an agent for revenue from theatrical and after theatrical rights, this revenue is not offset by the related costs.

Supplier discounts (PET intervention, volume discounts, collaboration costs and media or marketing support) are deducted from the cost of sales or from marketing costs.

### **LEASE INCOME**

Lease income, both fixed and variable lease income, is recognised in the income statement on a straight-line basis over the lease period. Lease incentives granted are regarded as an integral part of lease income.

### **GOVERNMENT GRANTS**

Government grants are classified as deferred income in the balance sheet and are initially recognised at fair value whenever a reasonable certainty exists that they will be received and that the Group will comply with the conditions associated with them. Grants that compensate incurred costs are systematically recognised in the income statement in the same period as the costs are incurred. Grants that compensate costs incurred in respect of assets are systematically recognised in the income statement over the useful life of the assets. The unwinding of receivables related to government grants is included under financial income.



## FINANCIAL INCOME

Financial income consists of interest received on investments, dividends, foreign exchange gains, the unwinding of receivables with regard to government grants and the profits on hedging instruments that are recognised in the income statement.

Interest income is recognised in the income statement based on the effective interest method. Dividend income is included in the income statement on the date that the dividend is declared.

Foreign exchange gains and losses are offset per currency.

## EXPENSES

The Group applied IFRS 16: Leases for the first time on 1 January 2019. As a result, the following accounting policies (payments relating to operational and finance leases) apply until 2018. For the accounting policies as of 1 January 2019, we refer to the relevant accounting policies and the section on the impact of the new standards: IFRS 16 Leases. Leases that are exempted under IFRS 16 are recognised in the income statement using a straight-line method.

### PAYMENTS RELATING TO OPERATIONAL LEASES

Payments relating to operational leases are recognised in the income statement on a straight-line basis over the lease period. Payments received to compensate for rent are recognised in the income statement spread over the lease period. In line with IAS 17, all known rent increases and decreases and rent-free periods must be spread proportionally over the term of the contract. This lease harmonisation is recognised in the income statement over the lease period.

### PAYMENTS RELATING TO FINANCE LEASES

The minimum lease payments are recorded partly as financial expenses and partly as repayment of the outstanding liability. Financial expenses are allocated to each period of the total lease period in such a way as to give a constant periodical interest rate over the remaining balance of the liability.

### FINANCIAL EXPENSES

The financial expenses comprise interest to be paid on loans, interest costs on lease liabilities, foreign exchange losses, the unwinding of discounts on non-current provisions and losses on hedging instruments that are recognised in the income statement.

Interest charges are recognised based on the effective interest method.

Financial expenses directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset.

Foreign exchange gains and losses are compensated per currency.

## INCOME TAX EXPENSE

Income tax expenses consist of current and deferred tax. Income taxes are recorded in the income statement except where they relate to a business combination or elements recorded directly in equity. In this case, the income taxes are recognised directly in equity or goodwill.

Current tax consists of the expected tax payable on the taxable profit of the year, calculated using tax rates enacted or substantively enacted at the balance sheet date, as well as tax adjustments in respect of prior years. The amount of current income tax is determined on the basis of the best estimate of the tax gain or expense, with due consideration for any uncertainty with regard to income tax. For the Belgian Excess Profit Ruling (EPR), we refer to note 30.

Additional income tax resulting from issuing dividends is recognised simultaneously with the liability to pay the dividend in question.

Deferred tax is recorded based on the balance sheet method, for all temporary differences between the taxable base and the carrying amount for financial reporting purposes, for both assets and liabilities. No deferred taxes are recognised for the following temporary differences:

- initial recognition of assets and liabilities in a transaction that is not a business combination and that does not affect accounting or taxable profits;
- differences with regard to investments in subsidiaries to the extent that an offsetting entry is unlikely in the near future;
- taxable temporary differences that arise at the initial recognition of goodwill.

The amount of the deferred tax is based on expectations with regard to the realisation of the carrying value of the assets and liabilities, whereby the tax rates enacted or substantively enacted at the balance sheet date are used.

A deferred tax asset is only recorded in the consolidated statement of financial position when it is probable that adequate future taxable profits are available against which the tax benefit can be utilised. Deferred tax assets are reduced whenever it is no longer probable that the related tax benefit will be realised.

The deferred and current tax receivables and liabilities are offset per tax jurisdiction if the Group has a legal enforceable right to offset the amounts and it intends to settle the liability on a net basis, or to realise the receivable and the liability simultaneously.

## SEGMENT REPORTING

An operating segment is a clearly distinguishable component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses in relation to transactions with any of the Group's other components. The Group is organised geographically. The different countries constitute operating segments, in accordance with the internal reporting to the CEO and CFO of the Group.

## DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group that represents a separate important operation or geographic business area, is part of a single coordination plan to dispose of a separate important operation or geographic business area or concerns a subsidiary that was acquired exclusively with the intent of selling it.

Classification as discontinued operations occurs upon the disposal of or, if earlier, when the business activity fulfils the criteria for classification as held for sale. Whenever an activity is classified as a discontinued operation, the comparative income statement figures are restated as if the activity had been discontinued from the start of the comparative period.

## NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended per 31 December 2019, and have not been applied in preparing these consolidated financial statements:

**Amendment to IFRS 3 Business Combinations**, issued on 22 October 2018, provides more guidance on the definition of a business. The amendment includes an election to use a concentration test. This is a simplified assessment that will result in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If one does not apply the concentration test, or the test is failed, then the assessment focuses on the existence of substantive process.

The amendment applies to businesses acquired in annual periods beginning on or after 1 January 2020 with earlier application permitted. The amendment has not yet been endorsed by the EU.

**Amendments to IAS 1 and IAS 8: Definition of Material** was issued on 31 October 2018 clarifying the definition of 'material' and aligning the definition of 'material' across the standards. The new definition states that "information is considered material, if omitting, misstating or obscuring it could reasonably be expected to influence decisions that primarily users of general purpose financial statements make on the basis of those financial statements, which provide information about a specific reporting entity". The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments are effective prospectively for annual periods beginning on or after 1 January 2020 with earlier application permitted. The amendment has been endorsed by the EU.

On 29 March 2018, the IASB has issued **Amendments to References to the Conceptual Framework in IFRS Standards (Amendments to CF)**. The Conceptual Framework sets out the fundamental concepts of financial reporting that guides the Board in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, providing useful information for investors and others. The Conceptual Framework also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction; and it helps stakeholders to understand the Standards better.

Key changes include:

- Increasing the prominence of stewardship in the objective of financial reporting, which is to provide information that is useful in making resource allocation decisions.
- Reinstating prudence, defined as the exercise of caution when making judgements under conditions of uncertainty, as a component of neutrality.
- Defining a reporting entity, which might be a legal entity or a portion of a legal entity.
- Revising the definition of an asset as a present economic resource controlled by the entity as a result of past events.
- Revising the definition of a liability as a present obligation of the entity to transfer an economic resource as a result of past events.
- Removing the probability threshold for recognition, and adding guidance on derecognition.
- Adding guidance on the information provided by different measurement bases, and explaining factors to consider when selecting a measurement basis.
- Stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where the relevance or faithful representation of the financial statements would be enhanced.

The amendments are effective for annual periods beginning on or after 1 January 2020, whereas the Board will start using the revised Conceptual Framework immediately. These amendments have been endorsed by the EU.

On 26 September 2019, the IASB has issued **Amendments to IFRS 9, IAS 39 and IFRS 7 (interest rate benchmark reform)**. The related amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition it requires companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The amendments are summarized as follows:

- When determining whether a forecast transaction is highly probable, a company shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.

- When performing prospective assessments, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of their interest rate benchmark reform.
- When applying IAS 39, the company is not required to undertake the IAS 39 retrospective assessment for hedging relationships directly affected by the reform. However, the company must comply with all other IAS 39 hedge accounting requirements, including the prospective assessment.
- For hedges of a non-contractually specified benchmark component of interest rate risk, a company shall apply the separately identifiable requirement only at the inception of such hedging relationship.

The amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The amendment has been endorsed by the EU.

## IMPACT OF NEW STANDARDS

On 1 January 2019, the Group applied **IFRS 16 Leases** and **IFRIC 23 Uncertainty over income tax treatments** for the first time.

### IFRS 16 LEASES

IFRS 16 Leases, published on 13 January 2016, makes a distinction between a service contract and a lease based on whether the contract conveys the right to control the use of an identified asset, and introduces a single, on-balance sheet accounting model for the lessees. At the start of the lease term, the lessee recognises a right-of-use asset and a lease liability. The new standard provides optional exemptions in the case of leases with a lease term of 12 months or less, and for leases for which the underlying asset has a limited value. The standard retains approximately all provisions from IAS 17 – Leases with regard to the processing of leases by the lessor. This means that lessors must classify the leases as operational or finance leases based on their nature. For the lessors, there are only limited changes compared to the previous accounting treatment in IAS 17 – Leases.

The standard replaces IAS 17 – Leases, IFRIC 4 – Determining Whether an Agreement Contains a Lease, SIC 15 – Operating Leases – Incentives, and SIC 27 – Evaluating the Substance of Transactions in the Legal Form of a Lease. The standard is applicable for annual periods beginning on or after 1 January 2019. This standard has been endorsed by the EU.

When applying the standard, the Group, as lessee, can choose between a fully retrospective approach or a modified retrospective approach with optional practical expedients. The choice must be applied consistently to all its leases. The Group has applied IFRS 16 as of 1 January 2019, and has chosen to apply the modified retrospective approach with optional practical expedients on the transition date. The comparative figures have therefore not been restated. The initial application of IFRS 16 has had no impact on the opening balance of the equity.

The requirement of the new standard to recognise a right-of-use asset as well as a lease liability has a significant impact on the consolidated financial statements of the Group. The most significant impact is that the Group has to create a new category under its assets and liabilities for the leases that consist mainly of its land, buildings and car fleet. These assets were included in the separate 'Right-of-use assets' line and the liabilities in the separate 'Lease liabilities' line in the balance sheet. For those leases considered and recognised as finance leases under IAS 17, the carrying amounts of the relevant assets and financial liabilities have been retained, but are presented as of 1 January 2019 under the right-of-use assets and lease liabilities, respectively. The lease term considered in the calculation of the lease liability on the transition date was determined on the basis of underlying lease contracts, taking into account extensions that could be estimated with reasonable certainty.

In addition, the new standard has changed the nature of the expense linked to these leases, as IFRS 16 replaces the recognition of an operating lease expense with a depreciation expense linked to the new right-of-use asset and an interest expense linked to the lease liability.

The Group has subjected all of its leases to an extensive analysis to determine whether they meet the lease definition under IFRS 16. The Group has thereby decided to make use of the following exemptions that are provided in the standard for the transition date and future closing periods:

- leases with a lease term of 12 months or less;
- leases for which the underlying asset has a limited value.

In addition, the Group has made use of the following transition options at 1 January 2019:

- the valuation of existing finance leases has not been reassessed;
- the Group has based its assessment of whether a lease is onerous immediately prior to the transition date as an alternative to an impairment test at the date of transition;
- the use of hindsight information in the determination of the lease term and lease consideration;
- in the case of leases, the non-lease components and lease components are separated from each other. Only the lease component is recognised in the lease liability.

In the determination of the lease liability, the Group has discounted the lease payments at a discount rate of 2.64%. This is the average interest rate that the Group obtains for external financing and the Group makes use of a general financing policy. This discount rate has been applied to all leases.

#### **Impact on the opening balance as at 1 January 2019**

The Group has chosen to apply the modified retrospective approach with optional practical expedients on the transition date, with the right-of-use assets equal to the lease liabilities on the transition date.

By considering outstanding balance sheet items per 31 December 2018 with respect to 2019 (for example, advance payments and leasehold inducements) and by making use of the practical expedient in the previous analysis of onerous contracts within the framework of IAS 37 for the transition to IFRS 16, the right-of-use assets will be lower than the lease liabilities.

More specifically, by applying IFRS 16 on 1 January 2019, the Group recognised a lease liability of € 315.5 million and a right-of-use asset of € 298.9 million. The right-of-use amount has been determined after the following reclassifications:

- Advance lease payments, previously included in Other receivables, increased right-of-use assets by € 1.9 million;
- Provisions for onerous contracts, previously included in Provisions, decreased the right-of-use assets by € 14.2 million;
- Leasehold inducements, previously included in Other payables, decreased right-of-use assets by € 3.6 million;
- Finance leases, previously included in Property, plant and equipment, increased right-of-use assets by € 6.7 million;

The lease liabilities were increased by the reclassification of the finance lease obligation by € 7.4 million, previously included in Loans and borrowings.

#### OPENING BALANCE AS AT 01/01/2019

| IN '000 €                          | 2019           |
|------------------------------------|----------------|
| Gross right-of-use assets          | 308 102        |
| <b>Reclassifications:</b>          |                |
| + Finance lease                    | 6 702          |
| + Advance lease payments           | 1 941          |
| - Provisions for onerous contracts | -14 236        |
| - Leasehold inducements            | -3 635         |
| <b>NET RIGHT-OF-USE ASSETS</b>     | <b>298 874</b> |
| Gross lease liabilities            | 308 102        |
| <b>Reclassifications:</b>          |                |
| + Finance lease obligation         | 7 389          |
| <b>NET LEASE LIABILITIES</b>       | <b>315 491</b> |

The above amounts are the opening balances per 1 January 2019. The above table has been adjusted in comparison with the Half-Yearly Financial Report of 30 June 2019, published on 22 August 2019. The change relates to three Canadian lease contracts for which the lease term has been adjusted by further refinement of the calculation.

#### Impact as at 31 December 2019

As of 31 December 2019, the Group has a lease liability of € 416.1 million and a right-of-use asset of € 397.2 million through the application of IFRS 16.

In addition, as of 31 December 2019, due to the application of IFRS 16, there is an increase in the EBITDA for the Group of an amount of € 27.3 million and an increase in depreciation and interest costs of € 24.5 million and € 9.4 million, respectively. Consequently, there is a negative impact of € 6.3 million on the net result in 2019. These amounts are before tax effects. The impact on taxes is € 1.9 million.

The application of IFRS 16 has no significant impact on lease contracts where the Group acts as the lessor.

The definitions of the covenants have been adapted to the new standard IFRS 16: Leases.

#### IFRIC 23 UNCERTAINTY OVER INCOME TAX TREATMENTS

The Group applied IFRIC 23 Uncertainty over income tax treatments for the first time on 1 January 2019.

IFRIC 23, issued on 7 June 2017, clarifies how the principles of IAS 12 with regard to the recognition and measurement requirements are to be applied when there is uncertainty over income tax treatments.

In these cases, the company needs to apply IAS 12 for recognising and measuring its current and deferred tax assets or liabilities based on its taxable profit (loss), the taxable value of its assets and liabilities, unused tax losses, unused tax credits and by using the tax rates as determined by applying this interpretation. The company is required to assume that a tax authority with the right to examine the tax treatment, will do so and will have full access to all relevant information. Detection risk can not be considered in the recognition and measurement of uncertain tax treatments. The company should estimate the impact of the uncertainty using the method that best predicts the resolution of the uncertainty; either the most likely amount method or the expected value method.

The Group is of the opinion that all current and deferred tax assets or liabilities are adequate for all open tax years based on the assessment of many factors, including interpretations of tax law and past experience, and that IFRIC 23 has no material impact on this.

## 2. Segment reporting

Segment information is given for the Group's geographic segments. The geographic segments reflect the countries in which the Group operates. The prices for intersegment transactions are determined on a business-like, objective basis. The segment information was drawn up in accordance with IFRS.

Segment results, assets and liabilities of a particular segment include those items that can be attributed, either directly or reasonably, to that segment.

Financial income and expenses and income tax expenses and their related assets and liabilities (excluding lease liabilities) are not monitored by segment by the Group's CEOs and CFO.

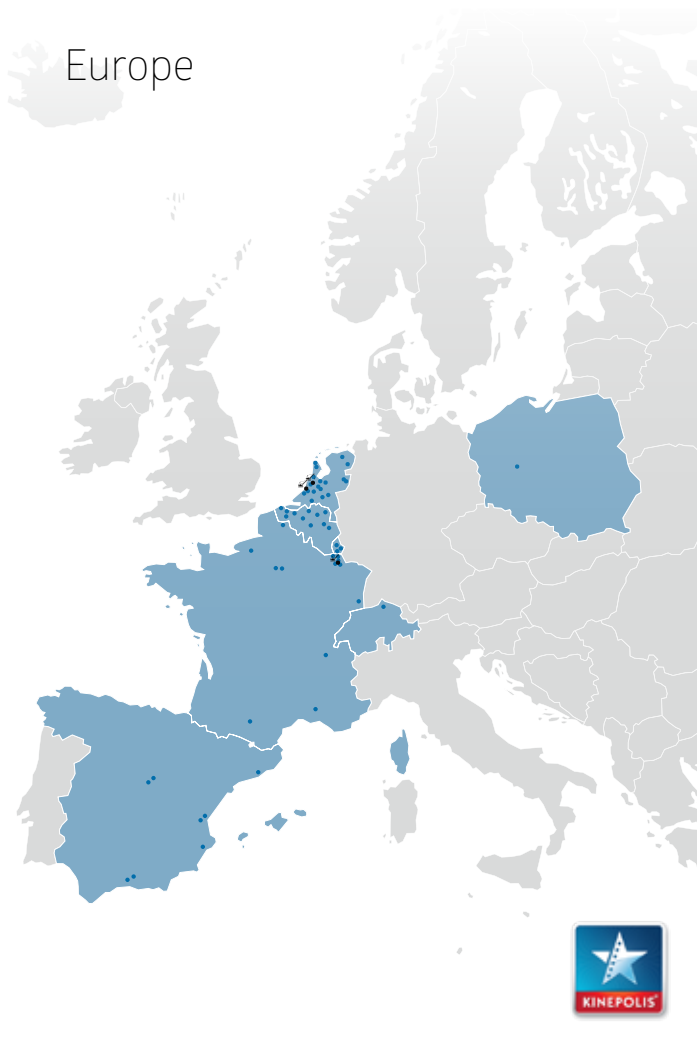
The capital expenditures of a segment are all costs incurred during the reporting period to acquire assets that are expected to remain in use in the segment for longer than one reporting period.

## GEOGRAPHIC SEGMENTS

The Group's activities are managed and monitored on a country basis. The main geographic markets are Belgium, France, Canada, Spain, the Netherlands, the United States and Luxembourg. The Polish and Swiss activities are combined in the 'Other' geographical segment, in accordance with the internal reporting to the CEO and CFO of the Group.

The United States was added as a segment in 2019 as a result of the acquisition of MJR Digital Cinemas.

In presenting information on the basis of geographic segments, revenue from the segment is based on the geographic location of the customers. The basis used for the assets of the segments is the geographic location of the assets.



# Segment reporting

at 31 December 2019

## INCOME STATEMENT

| IN '000 €                      | 2019          |               |               |               |                 |              |              |                               |               |                |
|--------------------------------|---------------|---------------|---------------|---------------|-----------------|--------------|--------------|-------------------------------|---------------|----------------|
|                                | BELGIUM       | FRANCE        | CANADA        | SPAIN         | THE NETHERLANDS | USA          | LUXEMBOURG   | OTHERS (POLAND & SWITZERLAND) | NOT ALLOCATED | TOTAL          |
| Segment revenue                | 209 382       | 81 754        | 137 712       | 61 369        | 65 738          | 15 728       | 17 550       | 4 682                         |               | 593 915        |
| Intersegment revenue           | -42 360       | -39           |               |               |                 |              |              | -34                           |               | -42 433        |
| Revenue                        | 167 022       | 81 715        | 137 712       | 61 369        | 65 738          | 15 728       | 17 550       | 4 648                         |               | 551 482        |
| Cost of sales                  | -106 890      | -57 047       | -112 821      | -43 988       | -46 319         | -12 777      | -11 337      | -2 707                        |               | -393 886       |
| <b>Gross profit</b>            | <b>60 132</b> | <b>24 668</b> | <b>24 891</b> | <b>17 381</b> | <b>19 419</b>   | <b>2 951</b> | <b>6 213</b> | <b>1 941</b>                  |               | <b>157 596</b> |
| Marketing and selling expenses | -13 131       | -3 030        | -5 556        | -2 567        | -2 320          | -106         | -1 052       | -124                          |               | -27 886        |
| Administrative expenses        | -17 707       | -1 787        | -7 147        | -1 103        | -1 527          | -407         | -281         | -347                          |               | -30 306        |
| Other operating income         | 46            | 841           | 343           | 38            | 1 078           |              | 95           |                               |               | 2 441          |
| Other operating expenses       | -139          | -85           | -268          | -114          | -70             | -83          | -49          |                               |               | -808           |
| <b>Segment profit</b>          | <b>29 201</b> | <b>20 607</b> | <b>12 263</b> | <b>13 635</b> | <b>16 580</b>   | <b>2 355</b> | <b>4 926</b> | <b>1 470</b>                  |               | <b>101 037</b> |
| Financial income               |               |               |               |               |                 |              |              |                               | 941           | 941            |
| Financial expenses             |               |               |               |               |                 |              |              |                               | -24 667       | -24 667        |
| <b>Profit before tax</b>       |               |               |               |               |                 |              |              |                               |               | <b>77 311</b>  |
| Income tax expense             |               |               |               |               |                 |              |              |                               | -22 939       | -22 939        |
| <b>PROFIT OF THE PERIOD</b>    |               |               |               |               |                 |              |              |                               |               | <b>54 372</b>  |

## BALANCE SHEET – ASSETS

| IN '000 €                          | 2019           |                |                |                |                 |                |               |                               |               |                  |
|------------------------------------|----------------|----------------|----------------|----------------|-----------------|----------------|---------------|-------------------------------|---------------|------------------|
|                                    | BELGIUM        | FRANCE         | CANADA         | SPAIN          | THE NETHERLANDS | USA            | LUXEMBOURG    | OTHERS (POLAND & SWITZERLAND) | NOT ALLOCATED | TOTAL            |
| Intangible assets                  | 6 386          | 717            | 2 852          | 329            | 176             | 2 499          | 28            |                               |               | 12 987           |
| Goodwill                           | 6 586          | 11 317         | 34 053         | 22 015         | 33 970          | 49 087         | 5 844         | 6 502                         |               | 169 374          |
| Property, plant and equipment      | 73 469         | 85 201         | 93 026         | 56 158         | 127 626         | 86 912         | 12 787        | 7 145                         |               | 542 324          |
| Right-of-use assets                | 9 874          | 22 882         | 234 870        | 58 835         | 15 007          | 53 963         | 1 781         |                               |               | 397 212          |
| Investment property                |                |                |                | 6 721          |                 |                |               | 10 160                        |               | 16 881           |
| Deferred tax assets                |                |                |                |                |                 |                |               |                               | 1 227         | 1 227            |
| Other receivables                  | 2              | 7 261          | 572            | 873            | -20             | 312            | 11            |                               |               | 9 011            |
| Other financial assets             |                |                |                |                |                 |                |               |                               | 27            | 27               |
| <b>Non-current assets</b>          | <b>96 317</b>  | <b>127 378</b> | <b>365 373</b> | <b>144 931</b> | <b>176 759</b>  | <b>192 773</b> | <b>20 451</b> | <b>23 807</b>                 | <b>1 254</b>  | <b>1 149 043</b> |
| Inventories                        | 2 228          | 500            | 994            | 563            | 878             | 536            | 115           | 37                            |               | 5 851            |
| Trade and other receivables        | 20 773         | 10 813         | 9 439          | 3 425          | 4 042           | 3 594          | 1 208         | 91                            |               | 53 385           |
| Current tax assets                 |                |                |                |                |                 |                |               |                               | 1 303         | 1 303            |
| Cash and cash equivalents          |                |                |                |                |                 |                |               |                               | 72 473        | 72 473           |
| Assets classified as held for sale |                |                | 1 767          |                |                 |                |               |                               |               | 1 767            |
| <b>Current assets</b>              | <b>23 001</b>  | <b>11 313</b>  | <b>12 200</b>  | <b>3 988</b>   | <b>4 920</b>    | <b>4 130</b>   | <b>1 323</b>  | <b>128</b>                    | <b>73 776</b> | <b>134 779</b>   |
| <b>SEGMENT ASSETS</b>              | <b>119 318</b> | <b>138 691</b> | <b>377 573</b> | <b>148 919</b> | <b>181 679</b>  | <b>196 903</b> | <b>21 774</b> | <b>23 935</b>                 | <b>75 030</b> | <b>1 283 822</b> |



## BALANCE SHEET – EQUITY AND LIABILITIES

| IN '000 €   | 2019          |               |                |               |                 |               |              |                               |                |                  |
|---|---------------|---------------|----------------|---------------|-----------------|---------------|--------------|-------------------------------|----------------|------------------|
|   | BELGIUM       | FRANCE        | CANADA         | SPAIN         | THE NETHERLANDS | USA           | LUXEMBOURG   | OTHERS (POLAND & SWITZERLAND) | NOT ALLOCATED  | TOTAL            |
| Share capital and share premium                               |               |               |                |               |                 |               |              |                               | 20 106         | 20 106           |
| Consolidated reserves   |               |               |                |               |                 |               |              |                               | 191 448        | 191 448          |
| Translation reserve   |               |               |                |               |                 |               |              |                               | -582           | -582             |
| <b>Total equity attributable to the owners of the Company</b> |               |               |                |               |                 |               |              |                               | <b>210 972</b> | <b>210 972</b>   |
| <b>Non-controlling interests</b>                              |               |               |                |               |                 |               |              |                               | <b>281</b>     | <b>281</b>       |
| <b>Equity</b>   |               |               |                |               |                 |               |              |                               | <b>211 253</b> | <b>211 253</b>   |
| Loans and borrowings  |               |               |                |               |                 |               |              |                               | 479 513        | 479 513          |
| Lease liabilities   | 7 191         | 20 942        | 230 885        | 55 001        | 17 086          | 50 753        | 1 194        |                               |                | 383 052          |
| Provisions for employee benefits                              | 1 036         |               |                |               |                 |               |              |                               |                | 1 036            |
| Provisions  | 1 585         | 162           | 299            |               | 238             |               |              |                               |                | 2 284            |
| Deferred tax liabilities                                      |               |               |                |               |                 |               |              |                               | 20 408         | 20 408           |
| Derivative financial instruments                              |               |               |                |               |                 |               |              |                               | 169            | 169              |
| Other payables  |               | 6 635         | 3              | 232           | 69              |               |              |                               |                | 6 939            |
| <b>Non-current liabilities</b>                                | <b>9 812</b>  | <b>27 739</b> | <b>231 187</b> | <b>55 233</b> | <b>17 393</b>   | <b>50 753</b> | <b>1 194</b> |                               | <b>500 090</b> | <b>893 401</b>   |
| Bank overdrafts   |               |               |                |               |                 |               |              |                               | 115            | 115              |
| Loans and borrowings  |               |               |                |               |                 |               |              |                               | 10 099         | 10 099           |
| Lease liabilities   | 2 335         | 1 993         | 18 006         | 4 385         | 2 388           | 3 537         | 447          |                               |                | 33 091           |
| Trade and other payables                                      | 50 117        | 21 993        | 27 817         | 7 978         | 13 436          | 7 102         | 3 615        | 682                           |                | 132 740          |
| Provisions  | 120           | 335           |                |               | 29              |               | 65           |                               |                | 549              |
| Current tax liabilities                                       |               |               |                |               |                 |               |              |                               | 2 574          | 2 574            |
| <b>Current liabilities</b>                                    | <b>52 572</b> | <b>24 321</b> | <b>45 823</b>  | <b>12 363</b> | <b>15 853</b>   | <b>10 639</b> | <b>4 127</b> | <b>682</b>                    | <b>12 788</b>  | <b>179 168</b>   |
| <b>SEGMENT EQUITY AND LIABILITIES</b>                         | <b>62 384</b> | <b>52 060</b> | <b>277 010</b> | <b>67 596</b> | <b>33 246</b>   | <b>61 392</b> | <b>5 321</b> | <b>682</b>                    | <b>724 131</b> | <b>1 283 822</b> |

## CAPITAL EXPENDITURE

| IN '000 €                  | 2019          |               |               |              |                 |           |              |                               |               |               |
|----------------------------|---------------|---------------|---------------|--------------|-----------------|-----------|--------------|-------------------------------|---------------|---------------|
|                            | BELGIUM       | FRANCE        | CANADA        | SPAIN        | THE NETHERLANDS | USA       | LUXEMBOURG   | OTHERS (POLAND & SWITZERLAND) | NOT ALLOCATED | TOTAL         |
| <b>CAPITAL EXPENDITURE</b> | <b>13 802</b> | <b>12 409</b> | <b>21 023</b> | <b>3 672</b> | <b>8 511</b>    | <b>15</b> | <b>2 852</b> | <b>420</b>                    |               | <b>62 704</b> |

## NON-CASH ELEMENTS

| IN '000 €  | 2019          |               |               |              |                 |              |              |                               |               |               |
|--|---------------|---------------|---------------|--------------|-----------------|--------------|--------------|-------------------------------|---------------|---------------|
|  | BELGIUM       | FRANCE        | CANADA        | SPAIN        | THE NETHERLANDS | USA          | LUXEMBOURG   | OTHERS (POLAND & SWITZERLAND) | NOT ALLOCATED | TOTAL         |
| Depreciation, amortisation, provisions and impairments | 13 980        | 10 182        | 23 781        | 8 357        | 10 017          | 2 368        | 2 135        | 481                           |               | 71 301        |
| Others   | 722           |               |               |              |                 |              |              |                               |               | 722           |
| <b>TOTAL</b>   | <b>14 702</b> | <b>10 182</b> | <b>23 781</b> | <b>8 357</b> | <b>10 017</b>   | <b>2 368</b> | <b>2 135</b> | <b>481</b>                    |               | <b>72 023</b> |

# Segment reporting

at 31 December 2018

## INCOME STATEMENT

| IN '000 €                      | 2018          |               |               |               |                 |              |                               |               | TOTAL          |
|--------------------------------|---------------|---------------|---------------|---------------|-----------------|--------------|-------------------------------|---------------|----------------|
|                                | BELGIUM       | FRANCE        | CANADA        | SPAIN         | THE NETHERLANDS | LUXEMBOURG   | OTHERS (POLAND & SWITZERLAND) | NOT ALLOCATED |                |
| Segment revenue                | 188 238       | 71 106        | 127 030       | 44 759        | 57 221          | 14 901       | 4 468                         |               | 507 723        |
| Intersegment revenue           | -31 644       | -93           |               | -69           |                 |              | -37                           |               | -31 843        |
| Revenue                        | 156 594       | 71 013        | 127 030       | 44 690        | 57 221          | 14 901       | 4 431                         |               | 475 880        |
| Cost of sales                  | -101 936      | -49 322       | -107 364      | -32 054       | -42 013         | -10 490      | -2 471                        |               | -345 650       |
| <b>Gross profit</b>            | <b>54 658</b> | <b>21 691</b> | <b>19 666</b> | <b>12 636</b> | <b>15 208</b>   | <b>4 411</b> | <b>1 960</b>                  |               | <b>130 230</b> |
| Marketing and selling expenses | -12 569       | -3 210        | -3 346        | -2 397        | -2 558          | -977         | -189                          |               | -25 246        |
| Administrative expenses        | -16 716       | -2 111        | -5 160        | -868          | -1 455          | -262         | -329                          |               | -26 901        |
| Other operating income         | 173           | 1 282         |               | 4             | 56              | 298          | 91                            |               | 1 904          |
| Other operating expenses       | -213          | -226          | -43           | -245          | -130            |              |                               |               | -857           |
| <b>Segment profit</b>          | <b>25 333</b> | <b>17 426</b> | <b>11 117</b> | <b>9 130</b>  | <b>11 121</b>   | <b>3 470</b> | <b>1 533</b>                  |               | <b>79 130</b>  |
| Financial income               |               |               |               |               |                 |              |                               | 1 362         | 1 362          |
| Financial expenses             |               |               |               |               |                 |              |                               | -13 733       | -13 733        |
| <b>Profit before tax</b>       |               |               |               |               |                 |              |                               |               | <b>66 759</b>  |
| Income tax expense             |               |               |               |               |                 |              |                               | -19 350       | -19 350        |
| <b>PROFIT OF THE PERIOD</b>    |               |               |               |               |                 |              |                               |               | <b>47 409</b>  |

## BALANCE SHEET – ASSETS

| IN '000 €                          | 2018           |                |                |               |                 |               |                               |               | TOTAL          |
|------------------------------------|----------------|----------------|----------------|---------------|-----------------|---------------|-------------------------------|---------------|----------------|
|                                    | BELGIUM        | FRANCE         | CANADA         | SPAIN         | THE NETHERLANDS | LUXEMBOURG    | OTHERS (POLAND & SWITZERLAND) | NOT ALLOCATED |                |
| Intangible assets                  | 5 677          | 689            | 2 737          | 313           | 225             | 22            |                               |               | 9 663          |
| Goodwill                           | 6 586          | 11 317         | 32 038         | 2 858         | 29 719          | 5 844         | 6 502                         |               | 94 864         |
| Property, plant and equipment      | 72 486         | 81 254         | 75 151         | 49 406        | 127 774         | 11 578        | 6 690                         |               | 424 339        |
| Investment property                |                |                |                | 6 721         |                 |               | 10 325                        |               | 17 046         |
| Deferred tax assets                |                |                |                |               |                 |               |                               | 1 427         | 1 427          |
| Other receivables                  | 1              | 7 720          | 2 396          | 677           | -20             | 11            |                               |               | 10 785         |
| Other financial assets             |                |                |                |               |                 |               |                               | 27            | 27             |
| <b>Non-current assets</b>          | <b>84 750</b>  | <b>100 980</b> | <b>112 322</b> | <b>59 975</b> | <b>157 698</b>  | <b>17 455</b> | <b>23 517</b>                 | <b>1 454</b>  | <b>558 151</b> |
| Inventories                        | 2 604          | 373            | 770            | 302           | 705             | 126           | 36                            |               | 4 916          |
| Trade and other receivables        | 17 931         | 9 159          | 9 928          | 1 730         | 2 973           | 1 065         | 213                           |               | 42 999         |
| Current tax assets                 |                |                |                |               |                 |               |                               | 2 416         | 2 416          |
| Cash and cash equivalents          |                |                |                |               |                 |               |                               | 65 381        | 65 381         |
| Assets classified as held for sale |                |                | 2 832          |               | 4 159           |               |                               |               | 6 991          |
| <b>Current assets</b>              | <b>20 535</b>  | <b>9 532</b>   | <b>13 530</b>  | <b>2 032</b>  | <b>7 837</b>    | <b>1 191</b>  | <b>249</b>                    | <b>67 797</b> | <b>122 703</b> |
| <b>SEGMENT ASSETS</b>              | <b>105 285</b> | <b>110 512</b> | <b>125 852</b> | <b>62 007</b> | <b>165 535</b>  | <b>18 646</b> | <b>23 766</b>                 | <b>69 251</b> | <b>680 854</b> |

## BALANCE SHEET – EQUITY AND LIABILITIES

| IN '000 €   | 2018          |               |               |              |                 |              |                               |                |                |
|---|---------------|---------------|---------------|--------------|-----------------|--------------|-------------------------------|----------------|----------------|
|   | BELGIUM       | FRANCE        | CANADA        | SPAIN        | THE NETHERLANDS | LUXEMBOURG   | OTHERS (POLAND & SWITZERLAND) | NOT ALLOCATED  | TOTAL          |
| Share capital and share premium                               |               |               |               |              |                 |              |                               | 20 106         | 20 106         |
| Consolidated reserves   |               |               |               |              |                 |              |                               | 161 461        | 161 461        |
| Translation reserve   |               |               |               |              |                 |              |                               | -4 164         | -4 164         |
| <b>Total equity attributable to the owners of the Company</b> |               |               |               |              |                 |              |                               | <b>177 403</b> | <b>177 403</b> |
| <b>Non-controlling interests</b>                              |               |               |               |              |                 |              |                               | <b>214</b>     | <b>214</b>     |
| <b>Equity</b>   |               |               |               |              |                 |              |                               | <b>177 617</b> | <b>177 617</b> |
| Loans and borrowings  |               |               |               |              |                 |              |                               | 272 677        | 272 677        |
| Provisions for employee benefits                              | 557           |               |               |              |                 |              |                               |                | 557            |
| Provisions  | 1 526         | 109           | 8 902         |              | 4 028           |              |                               |                | 14 565         |
| Deferred tax liabilities                                      |               |               |               |              |                 |              |                               | 20 518         | 20 518         |
| Derivative financial instruments                              |               |               |               |              |                 |              |                               | 211            | 211            |
| Other payables  | 1             | 7 281         | 3 356         | 270          | 69              |              |                               |                | 10 977         |
| <b>Non-current liabilities</b>                                | <b>2 084</b>  | <b>7 390</b>  | <b>12 258</b> | <b>270</b>   | <b>4 097</b>    |              |                               | <b>293 406</b> | <b>319 505</b> |
| Bank overdrafts   |               |               |               |              |                 |              |                               | 36             | 36             |
| Loans and borrowings  |               |               |               |              |                 |              |                               | 69 790         | 69 790         |
| Trade and other payables                                      | 44 627        | 21 112        | 20 072        | 6 167        | 11 032          | 2 811        | 507                           |                | 106 328        |
| Provisions  |               | 335           | 1 094         |              | 812             |              |                               |                | 2 241          |
| Current tax liabilities                                       |               |               |               |              |                 |              |                               | 5 337          | 5 337          |
| <b>Current liabilities</b>                                    | <b>44 627</b> | <b>21 447</b> | <b>21 164</b> | <b>6 167</b> | <b>11 844</b>   | <b>2 811</b> | <b>507</b>                    | <b>75 163</b>  | <b>183 730</b> |
| <b>SEGMENT EQUITY AND LIABILITIES</b>                         | <b>46 711</b> | <b>28 837</b> | <b>33 423</b> | <b>6 437</b> | <b>15 941</b>   | <b>2 811</b> | <b>507</b>                    | <b>546 187</b> | <b>680 854</b> |

## CAPITAL EXPENDITURE

| IN '000 €                  | 2018          |               |               |              |                 |            |                               |               |               |
|----------------------------|---------------|---------------|---------------|--------------|-----------------|------------|-------------------------------|---------------|---------------|
|                            | BELGIUM       | FRANCE        | CANADA        | SPAIN        | THE NETHERLANDS | LUXEMBOURG | OTHERS (POLAND & SWITZERLAND) | NOT ALLOCATED | TOTAL         |
| <b>CAPITAL EXPENDITURE</b> | <b>13 308</b> | <b>15 004</b> | <b>14 788</b> | <b>3 362</b> | <b>13 778</b>   | <b>869</b> | <b>95</b>                     |               | <b>61 204</b> |

## NON-CASH ELEMENTS

| IN '000 €  | 2018          |              |              |              |                 |              |                               |               |               |
|--|---------------|--------------|--------------|--------------|-----------------|--------------|-------------------------------|---------------|---------------|
|  | BELGIUM       | FRANCE       | CANADA       | SPAIN        | THE NETHERLANDS | LUXEMBOURG   | OTHERS (POLAND & SWITZERLAND) | NOT ALLOCATED | TOTAL         |
| Depreciation, amortisation, provisions and impairments | 11 246        | 7 080        | 4 955        | 3 438        | 7 271           | 1 746        | 438                           |               | 36 174        |
| Others   | 1 075         |              |              |              |                 |              |                               |               | 1 075         |
| <b>TOTAL</b>   | <b>12 321</b> | <b>7 080</b> | <b>4 955</b> | <b>3 438</b> | <b>7 271</b>    | <b>1 746</b> | <b>438</b>                    |               | <b>37 249</b> |

## 3. Revenue

The table below shows the breakdown of revenue by activity, product or service offered by the Group:

| IN '000 €            | 2018           | 2019           |
|----------------------|----------------|----------------|
| Box office           | 260 520        | 304 691        |
| In-theatre sales     | 130 509        | 155 852        |
| Business-to-business | 55 519         | 60 914         |
| Brightfish           | 10 710         | 12 901         |
| Film distribution    | 4 563          | 3 182          |
| Technical department | 53             | 84             |
| <b>TOTAL IFRS 15</b> | <b>461 874</b> | <b>537 624</b> |
| Real estate          | 14 006         | 13 858         |
| <b>TOTAL</b>         | <b>475 880</b> | <b>551 482</b> |

Box Office revenue (hereinafter: BO) increased by 17.0%, to € 304.7 million. BO per visitor increased in almost all countries, thanks to the success of premium products, such as Cosy Seats, Laser ULTRA, 4DX and ScreenX, a higher share of 3D, the growing success of alternative content in all countries and a number of inflation-compensating measures, and this despite the increased weight of Spain and the USA in the country mix. After all, these countries have a lower-than-average BO per visitor. Only in Spain BO revenue per visitor decreased, due to the addition of the El Punt cinemas with a lower BO per visitor.

In-theatre sales (hereinafter: ITS) increased by 19.4% to € 155.9 million, thanks to an increase in ITS consumption per visitor in all countries and the addition of the American cinemas, with a higher-than-average ITS consumption per visitor. In almost all countries, we saw more visitors in the shop, who also bought more products. Constant adjustments to the ITS range and the further roll-out of the mega candy concept in a number of cinemas also contributed to the increased ITS revenue.

B2B revenue increased by 9.7%, mainly due to a strong rise in screen advertising in all countries and the expansion of the Group. The sale of events also increased, as did the number of partner deals.

Real estate income decreased by 1.1% due to a decrease in the variable rent in Poland and a number of vacant concessions in Belgium and the Netherlands.

Revenue from Kinopolis Film Distribution (KFD) decreased by 30.3%, due to fewer releases compared to a very successful 2018 (including 'Patser' and 'Niet Schieten').

Brightfish saw its revenue rise by 20.5%, thanks to an increase in both national and regional screen advertising, and thanks to more events and partner deals.

Revenue from Box Office and In-theatre sales (which together represented 84% of total revenue) are directly linked to the evolution of the visitors. These in turn depend on the number of films produced, their success with the customer and external factors, such as competitive activities and weather conditions. Consequently, the number of visitors, and therefore the turnover, can be very volatile. For more information regarding the risks involved, please refer to the 'Description of the main business risks' in the 'Corporate Governance Statement' section.

B2B consists of three products: sales of vouchers, sales of cinema advertising and sales of film and non-film related events. Film related events make up the bulk of B2B and are closely related to the line-up and the number of films produced and their potential success. The sale of vouchers and cinema advertising strongly depend on the macro-economic climate and business confidence.

The Brightfish results are highly dependent on the macro-economic climate, the advertising spending mainly in the FMCG industry and the share of cinema and marketing campaigns of the major advertisers. Depending on the pricing in other media such as online and TV, this can fluctuate widely.

The results for film distribution depend on the number and success of the Flemish productions of which Kinopolis Film Distribution (KFD) owns the rights, combined with the international releases of which Kinopolis Film Distribution owns the rights for the Belgian and Luxembourg territory, together with Dutch Filmworks (DFW).

The current contractual obligation with regard to the gift vouchers amounted to € 27.5 million on 31 December 2019 (2018: € 22,2 million).

| IN '000 €                                  | 2019          |
|--|---------------|
| <b>BALANCE AT END OF PREVIOUS PERIOD</b>   | <b>22 227</b> |
| Acquisitions through business combinations | 2 203         |
| Newly issued gift vouchers                 | 62 397        |
| Gift vouchers exercised or expired         | -59 353       |
| <b>BALANCE AT END OF CURRENT PERIOD</b>    | <b>27 475</b> |

The evolution of the balance of the current obligation with regard to the gift vouchers depends on the evolution of the number of visitors. The gift vouchers have an average

duration to maturity of less than 12 months in Europe. In the United States, gift vouchers have a duration of five years, and gift vouchers have an unlimited duration in Canada.

## 4. Other operating income and expenses

### OTHER OPERATING INCOME

| IN '000 €  | 2018         | 2019         |
|--|--------------|--------------|
| Government grants  | 855          | 708          |
| Capital gains on disposal of property, plant and equipment | 104          | 1 350        |
| Others   | 945          | 383          |
| <b>TOTAL</b>   | <b>1 904</b> | <b>2 441</b> |

#### GOVERNMENT GRANTS

The Group receives government grants in France from the Centre National du Cinéma et de l'Image Animée (CNC) for cinema related investments. These grants come from a fund financed by contributions from cinema operators in the form of a percentage of ticket sales. The grants are recorded as liabilities, and are taken into the result over the useful life of the related assets, at € 0.7 million in 2019 (2018: € 0.9 million).

The capital gain on disposal of property, plant and equipment in 2018 relates to the sale of a plot of land in Poland. In 2019, this capital gain mainly relates to the sale of the property in Kamloops in Canada (€ 0.3 million) and the offices in 's-Hertogenbosch in the Netherlands (€ 0.9 million).

### OTHER OPERATING EXPENSES

| IN '000 €   | 2018        | 2019        |
|---|-------------|-------------|
| Losses on disposal of property, plant and equipment | -365        | -181        |
| Losses on disposal of trade receivables             | -325        | -251        |
| Others  | -167        | -375        |
| <b>TOTAL</b>  | <b>-857</b> | <b>-808</b> |

The loss on the disposal of property, plant and equipment in 2018 and 2019 mainly relates to the disposal of equipment.

## 5. Employee benefit expenses and other social benefits

| IN '000 €   | 2018           | 2019           |
|---|----------------|----------------|
| Wages and salaries                                    | -59 056        | -65 601        |
| Mandatory social security contributions               | -11 631        | -11 771        |
| Employer contributions to employee insurances         | -578           | -925           |
| Share-based payments                                  | -1 075         | -723           |
| Other employee benefit expenses                       | -3 209         | -3 232         |
| <b>TOTAL</b>  | <b>-75 550</b> | <b>-82 252</b> |
| Total full-time equivalents at the balance sheet date | 2 126          | 2 603          |

The increase in employee benefit expenses in 2019 is mainly due to the higher number of full-time equivalents as at 31 December 2019 due to the Group's expansion in Spain, the Netherlands and the United States.

The share-based payments are related to the options granted in 2017, 2018 and 2019. For more information, we refer to note 20.

The employee benefit expenses also include early retirement pensions, which, in accordance with IFRS, should be treated as termination benefits, as no reasonable expectation was generated among employees during hiring or employment that they would be entitled to an early retirement pension before the legal retirement age. They are non-material amounts.

### CLARIFICATION OF PENSION LIABILITIES AND PENSION COSTS

The amounts on the balance sheet are determined as follows:

| IN '000 €            | 2018       | 2019         |
|----------------------|------------|--------------|
| Defined benefit plan | 557        | 1 036        |
| <b>TOTAL</b>         | <b>557</b> | <b>1 036</b> |

The pension plans held in Belgium by the Group are included under 'defined benefit plan'.

The Group has two pension plans in Belgium that are deemed to be pension plans with defined contributions by law. As Belgian law applies to all second pillar pension plans ('Vandenbroucke Law'), all Belgian plans with defined contributions under IFRS are qualified as defined benefit plans. The 'Vandenbroucke Law' states that, in the context of the defined contribution plans, the employer must guarantee a minimum return of a percentage that is adjusted based on market returns, with a minimum of

1.75% and a maximum of 3.75%, which reduces the risk for the employer.

These minimum return requirements for the defined contribution plans in Belgium expose the employer to a financial risk (because there is a legal obligation to pay future contributions if the fund has insufficient assets to pay all the employee benefits related to the work performed by the employees in the current and past periods). As a consequence, these plans must be classified and recognised in the accounts as a defined benefit plan as under IAS 19.

The amounts for the pension plans held in Belgium are determined as follows as at 31 December:

| IN '000 €   | 2018       | 2019         |
|---|------------|--------------|
| Liability from defined contribution plans               | 5 317      | 6 201        |
| Fair value of fund investments                          | -4 759     | -5 165       |
| <b>Net liability (-asset) from defined benefit plan</b> | <b>557</b> | <b>1 036</b> |

Assets concern qualifying insurance policies and are not part of the financial instruments of the Group. The minimum return guarantee is currently 1.75%.

## ACTUARIAL ASSUMPTIONS

The main actuarial assumptions are:

| IN %                           | 2018  | 2019  |
|--------------------------------|-------|-------|
| Weighted average discount rate | 1.70% | 0.60% |
| Expected inflation             | 1.75% | 1.75% |
| The expected general pay rise  | 2.75% | 2.75% |

Life expectancy is based on the Belgian mortality table MR/FR, adjusted by -5 years.

## TOTAL COMPREHENSIVE INCOME

For these pension plans, the following amounts are included in total comprehensive income:

| IN '000 €                                      | 2018        | 2019        |
|--|-------------|-------------|
| <b>Included in the income statement</b>        |             |             |
| Pension costs allocated to the year of service | -219        | -234        |
| Interest expenses                              | -6          | -6          |
|  | -225        | -240        |
| <b>Included in other comprehensive income</b>  |             |             |
| Changes to estimates of defined benefit plans  | 5           | -516        |
|  | 5           | -516        |
| <b>Total comprehensive income</b>              | <b>-220</b> | <b>-756</b> |

The expected pension costs from defined benefit plans for 2020 are € 0.3 million, and primarily relate to allocated pension costs.

## SENSITIVITY ANALYSIS

| IN '000 €                            | 31 DECEMBER 2019 |          |
|--------------------------------------|------------------|----------|
|                                      | INCREASE         | DECREASE |
| Discount rate (1% movement)          | -507             | 626      |
| Future pay fluctuation (1% movement) | 50               | -44      |
| Life expectancy (1% movement)        | -2               | 2        |

Its defined benefit plans expose the Group to a number of risks, the most important of which are explained below:

- *Changes to discount rate:* a reduction in the discount rate leads to an increase in the liabilities;
- *Salary risk:* the gross liabilities of most schemes are calculated on the basis of the future payments to the participants. As a consequence, a higher than expected salary rise will lead to higher liabilities;
- *Life-long risk:* pension plans provide participants benefits as long as they live, so an increase in life expectancy will result in an increase in plan liabilities.

## 6. Additional information on operating expenses by nature

The table below shows the breakdown of cost of sales by nature:

| IN '000 €   | 2018            | 2019            |
|---|-----------------|-----------------|
| Purchases   | -165 175        | -200 162        |
| Services and other goods                            | -83 576         | -62 448         |
| Employee benefit expenses and other social benefits | -55 612         | -61 200         |
| Depreciation and amortisation                       | -36 215         | -66 342         |
| Provisions and impairments                          | 858             | -418            |
| Others  | -5 931          | -3 317          |
| <b>COST OF SALES</b>                                | <b>-345 651</b> | <b>-393 886</b> |

The table below shows the breakdown of marketing and selling expenses by nature:

| IN '000 €   | 2018           | 2019           |
|---|----------------|----------------|
| Services and other goods                            | -16 210        | -18 209        |
| Employee benefit expenses and other social benefits | -7 303         | -7 825         |
| Depreciation and amortisation                       | -1 746         | -1 838         |
| Provisions and impairments                          | 20             | -4             |
| Others  | -7             | -9             |
| <b>MARKETING AND SELLING EXPENSES</b>               | <b>-25 246</b> | <b>-27 886</b> |

The table below shows the breakdown of administrative expenses by nature:

| IN '000 €   | 2018           | 2019           |
|---|----------------|----------------|
| Services and other goods                            | -13 192        | -14 285        |
| Employee benefit expenses and other social benefits | -12 635        | -13 227        |
| Depreciation and amortisation                       | -1 078         | -2 554         |
| Provisions and impairments                          | 64             | -145           |
| Others  | -58            | -95            |
| <b>ADMINISTRATIVE EXPENSES</b>                      | <b>-26 900</b> | <b>-30 306</b> |

## 7. Financial income and expenses

### FINANCIAL INCOME

| IN '000 €   | 2018         | 2019       |
|---|--------------|------------|
| Interest income                                       | 15           | 59         |
| Foreign exchange gains                                | 345          | 144        |
| Fair value of contingent considerations               | 428          |            |
| Unwinding of non-current government grants receivable | 402          | 373        |
| Others  | 172          | 365        |
| <b>TOTAL</b>  | <b>1 362</b> | <b>941</b> |

At 31 December 2018, there was a fair value change to the contingent consideration with regard to the acquisition of the Wolff Bioscopen group (€ 0.4 million).



## FINANCIAL EXPENSES

| IN '000 €                              | 2018           | 2019           |
|--|----------------|----------------|
| Interest expenses                      | -10 374        | -11 027        |
| Interest expenses on lease liabilities |                | -9 353         |
| Foreign exchange losses                | -331           | -229           |
| Others                                 | -3 028         | -4 058         |
| <b>TOTAL</b>                           | <b>-13 733</b> | <b>-24 667</b> |

The increase in interest expenses is mainly due to an increase in gross debt due to the private placement of bonds amounting to € 225.0 million in July 2019. This is partly offset by the repayment of a bond for € 59.1 million in March 2019.

The new standard IFRS 16: Leases has been applied as of 1 January 2019. Due to the application of IFRS 16 and the associated accounting treatment, interest costs are allocated to lease liabilities (€ 9.4 million). For more information, we refer to note 26.

The exchange rate losses mainly relate to the fluctuations of the Canadian and US Dollar against the Euro.

In 2019, the capitalisation of interest costs related to construction projects amounted to € 0.2 million, compared to € 0.3 million in interest costs capitalised in 2018. As the Group applies a general financing policy, a weighted average interest rate of 2.64% is used to capitalise the interest expenses of construction projects (2018: 2.64%).

The total costs with regard to the refinancing of the Group in 2012 were € 1.1 million. These are recognised in the result using the effective interest method at € 0.1 million in 2019 (2018: € 0.1 million) and are a part of the other financial expenses. The costs of the refinancing of the Group in 2015 were € 1.6 million. These are recognised in the result using the effective interest method at € 0.2 million in 2019 (2018: € 0.2 million) and are a part of the other financial expenses. The costs of the refinancing of the Group in 2017 were € 0.5 million. These are recognised in the result using the effective interest method at € 0.1 million in 2019 (2018: € 0.1 million) and are a part of the other financial expenses. The costs of the refinancing of the Group in 2019 were € 1.6 million. These are recognised in the result using the effective interest method at € 0.1 million in 2019 (2018: € 0.0 million) and are a part of the other financial expenses.

The remaining other financial expenses in 2019 and 2018 mainly related to bank charges. In addition, the other financial expenses include commitment fees of € 0.2 million (2018: € 0.3 million) related to the credit agreement that the Group revised and expanded in 2019. For more information, we refer to notes 21 and 25.

## 8. Income tax expenses

| IN '000 €             | 2018           | 2019           |
|-----------------------|----------------|----------------|
| Current tax expenses  | -19 094        | -23 910        |
| Deferred tax expenses | -256           | 971            |
| <b>TOTAL</b>          | <b>-19 350</b> | <b>-22 939</b> |

The effective tax rate was 29.67% in 2019 (2018: 28.96%). The higher income tax is mainly due to the reversal of taxes related to fairness tax, which led to a release of € 0.6 million

deferred taxes last year, which can be found in the following table under 'Reversal taxes related to fairness tax' in 2018.

## EFFECTIVE TAX RATE RECONCILIATION

| IN '000 €  | 2018           | 2019           |
|--|----------------|----------------|
| Profit before tax  | 66 760         | 77 312         |
| <b>Belgian tax rate</b>  | <b>29.58%</b>  | <b>29.58%</b>  |
| Income tax using the Company's domestic tax rate   | -19 748        | -22 868        |
| Effect of tax rates in foreign jurisdictions   | 545            | 359            |
| Disallowed expenses  | -497           | -524           |
| Tax-exempt income  | 1 131          | 56             |
| Impairment on treasury shares  | -809           | 8              |
| Losses for which no deferred tax asset is recognised                                     | -513           | -18            |
| Use of unrecognised losses and tax losses for which no deferred tax asset was recognised | 37             | 156            |
| Under/(over) provision in prior periods  | -163           | 22             |
| Change to law and tax rate in Luxembourg   |                | 101            |
| Change to law and tax rate in the Netherlands  | 237            | -86            |
| Change to law and tax rate in Canada   |                | 327            |
| Reversal taxes related to fairness tax   | 594            |                |
| Other adjustments  | -164           | -472           |
| <b>TOTAL INCOME TAX EXPENSE</b>  | <b>-19 350</b> | <b>-22 939</b> |
| <b>Effective tax rate</b>  | <b>28.96%</b>  | <b>29.67%</b>  |

The 'Other adjustments' mainly concern deferred taxes on temporary differences between tax and group results in the different countries.

The change in legislation and tax rate in Luxembourg relates to the decrease from 26,01% to 24,94%. In 2018, the change in legislation and tax rate in the Netherlands was

the future reduction in the income tax rate from 25.00% to 22.55% in 2020, and to 20.50% from 2021. In 2019, there was a new legislative change, concerning the change in the income tax rate from 20.50% to 21.70% from 2021. The change in the legislation and tax rate in Alberta (CA) concerns the gradual decrease in the average income tax rate from 27.00% in 2019 to 25.50% in 2022.

## 9. Intangible assets

The patents and licenses mainly comprise software purchased from third parties. The internally generated intangible assets concern the changes to software for the Group's ticket system.

The 'Other' category includes the trade name 'Landmark Cinemas' and amounts to € 2.8 million. The trade name has an indefinite useful life. The trade name was retained at the acquisition of Landmark Cinemas in 2017, as this is the second largest cinema group in Canada. Further organic growth on the Canadian market and the marketing of the existing cinemas will be performed under the name 'Landmark Cinemas'.

The acquisitions amount to € 2.6 million in 2019 (2018: € 2.9 million) and mainly relate to investments in the renewal of the back-office software of the Group and investments in the ICT infrastructure. These consist of internal hours worked for € 0.7 million and purchases from third parties for € 1.9 million.

The acquisitions through business combinations are related to the acquisitions of MJR Digital Cinemas (USA) and El Punt (ES). For more information, we refer to note 10.

| IN '000 €                                  | PATENTS<br>AND LICENSES | OTHERS       | INTERNALLY GENERATED<br>INTANGIBLE ASSETS | TOTAL         |
|--|-------------------------|--------------|---|---------------|
| Acquisition value                          | 13 571                  | 4 329        | 3 240                                     | 21 140        |
| Amortisation and impairment losses         | -8 972                  | -977         | -2 142                                    | -12 091       |
| <b>NET CARRYING AMOUNT AT 31/12/2017</b>   | <b>4 599</b>            | <b>3 352</b> | <b>1 098</b>                              | <b>9 049</b>  |
| Acquisitions                               | 2 221                   | 331          | 320                                       | 2 872         |
| Sales and disposals                        | -70                     | -36          |   | -106          |
| Transfer to other categories               | -232                    | -117         | -10                                       | -359          |
| Amortisation                               | -1 615                  | -53          | -299                                      | -1 967        |
| Acquisitions through business combinations | 279                     |              |   | 279           |
| Effect of exchange rate fluctuations       | -5                      | -99          |   | -104          |
| Acquisition value                          | 15 825                  | 4 364        | 3 550                                     | 23 739        |
| Amortisation and impairment losses         | -10 648                 | -986         | -2 441                                    | -14 075       |
| <b>NET CARRYING AMOUNT AT 31/12/2018</b>   | <b>5 177</b>            | <b>3 378</b> | <b>1 109</b>                              | <b>9 663</b>  |
| Acquisitions                               | 1 907                   | 1            | 729                                       | 2 637         |
| Sales and disposals                        | -1                      | -2           |   | -3            |
| Transfer to other categories               | 146                     | 31           | 200                                       | 377           |
| Amortisation                               | -1 900                  | -86          | -473                                      | -2 459        |
| Acquisitions through business combinations | 935                     | 1 702        |   | 2 637         |
| Effect of exchange rate fluctuations       | -12                     | 147          |   | 135           |
| Acquisition value                          | 19 374                  | 6 262        | 4 233                                     | 29 869        |
| Amortisation and impairment losses         | -13 123                 | -1 092       | -2 667                                    | -16 882       |
| <b>NET CARRYING AMOUNT AT 31/12/2019</b>   | <b>6 252</b>            | <b>5 170</b> | <b>1 565</b>                              | <b>12 987</b> |

## 10. Goodwill and business combinations

### GOODWILL

| IN '000 €                                  | 2018          | 2019           |
|--|---------------|----------------|
| <b>BALANCE AT END OF PREVIOUS PERIOD</b>   | <b>86 393</b> | <b>94 864</b>  |
| Acquisitions through business combinations | 10 058        | 73 533         |
| Impairment losses                          | -487          |                |
| Effect of exchange rate fluctuations       | -1 100        | 977            |
| <b>BALANCE AT END OF CURRENT PERIOD</b>    | <b>94 864</b> | <b>169 374</b> |

The acquisitions through business combinations are discussed elsewhere in this note (see Business combinations).

The impairment loss in 2018 relates to the impairment of goodwill related to the closure of the Nîmes Forvm (France).

At the end of 2019, as in every year in this period, a review was performed to identify any indications of a possible impairment of non-financial assets. During this review the Group considered, among other things, the economic situation, the evolution of visitor figures, EBITDA and the components that make up the weighted average cost of capital determined by the Group, especially the risk-free interest rate, the market risk premium and the cost of debt.

An annual impairment test must always be performed for cash-generating units to which goodwill is allocated, and for intangible assets with an indefinite useful life, regardless of whether there are indications of impairment. For the carrying amount of intangible assets with indefinite useful life allocated to the cash-generating unit 'Canada', we refer to note 9.

For the tests at the end of 2019, the impact of the implementation of IFRS 16 has been taken into account, which is further explained below in the various components of the impairment test. No impairments were recognised on the basis of the impairment tests performed.

Management monitors the impairments, as always, at country level. This is also the level at which the organisation is monitored for internal control purposes.

The cash flows of the Group are generated per country:

- The programming of films and negotiations with distributors takes place at country level;
- The management structures are organised at national level;
- A large percentage of tickets are sold through the websites, which are organised at country level;
- The pricing of tickets, refreshments and snacks is set at country level;
- Marketing contributions by distributors are negotiated on a country-by-country basis;
- Screen advertising is managed on a country basis;
- Vouchers are sold through the business-to-business sales teams. Customers use their vouchers through the central back-office systems at country level;
- The business-to-business events are organised at both complex and country level.

The value in use was taken into consideration in the impairment tests. For all cash-generating units, the value in use was defined by discounting the future cash flows calculated over the period 2021 to 2039, based on the budget for 2020. However, due to the impact of IFRS 16, the definition of future cash flows has changed and the starting point for determining future cash flows has been the EBITDA, which, due to the impact of the implementation of IFRS 16, no longer includes the payments for leased complexes. This increases the value in use of the tested assets. To compensate for this, the lease liability arising from these payments under IFRS 16 was deducted from the value in use in the impairment calculations. The future cash flows are calculated over a period of 20 years, as the Group owns a large part of its real estate and is therefore assured of long-term exploitation. The calculation of the lease liability must be based on the remaining lease term, including any extensions. In the case of the calculation of the lease liability starting from a different term than the assumed 20 years, the calculation of the lease liability has been adjusted to 20 years.

The impact of IFRS 16 was also taken into account in determining the carrying amount of the non-financial assets or the carrying amount of the cash-generating units, with the right-of-use assets and the lease liabilities being part of the carrying amount.

A terminal value after 20 years is not taken into account, in exchange for this, the net book value of the country is not included in the test. For the period 2021 to 2039, the data of the 2020 budget for all cash-generating units was extrapolated on the basis of the following assumptions:

- The visitor figures, which are the most important driver, are based on a budget for 2020 that results from a fictitious low number of visitors (-5% visitors compared to 2019). This exercise is carried out annually, and aims to have the company look for measures to increase profitability, and thereby lower the break-even point. The company does not assume that visitors will fall by 5%, but, by working with this visitor evolution, the operational entities of the group are forced to think about how they can increase the contribution per visitor and the total, in order to compensate for the difference in visitors. By also using this budget in the impairment tests, a cautious budget is therefore assumed;
- All other drivers are also based on the following year's budget, including all improvements and optimisations included in this, such as improvements in the product mix and the launch of new products, more efficient staff scheduling, the impact of contract negotiations with suppliers and more;
- The EBITDA grows by 1% annually, applied to all countries and for each cash-generating unit. This is only intended to compensate for inflation, whereby the EBITDA margin remains constant; The 1% is a conservative approach, as it is less than the long-term inflation expectation and the historical evolution;
- The assumptions regarding replacement investments are identical for all countries, but are differentiated depending on whether it concerns owned or leased buildings. The amounts are determined on the basis of the group guidelines that must be followed by all countries. This will be increased by 1% for all countries from 2021.

The projections are performed in the functional currency of the relevant country and discounted at the weighted average cost of the country's capital. The implementation of IFRS 16 required a more diversified approach to the proposed weighted average cost of capital at the country level, as, from 2019, the debt will also include the lease liabilities of the country, and future cash flows will be discounted at the weighted average cost of capital, while right-of-use assets are calculated on the basis of a discount rate. In order to align this, the country-specific debt / equity ratio was taken into account when calculating the weighted average cost of capital at country level, whereby the debt capital also includes the lease liability of the country. The proposed weighted average cost of capital is 5.74% for Belgium, 5.60% for France, 4.79% for Canada, 5.29% for Spain, 5.40% for the Netherlands, 5.49% for Luxembourg, 5.45% for Switzerland and 7.57% for Poland (2018: 5.98% for Belgium, 5.93% for France, 7.29% for Canada, 6.69% for Spain, 5.76% for the Netherlands, 5.67% for Luxembourg, 5.37% for Switzerland and 8.09% for Poland) and was determined on the basis of the following theoretical parameters:

|                 | 2018                    |                     |      |                                      |                    |                       | 2019 <sup>(2)</sup>     |                     |      |                                      |                    |                       |
|-----------------|-------------------------|---------------------|------|--------------------------------------|--------------------|-----------------------|-------------------------|---------------------|------|--------------------------------------|--------------------|-----------------------|
|                 | RISK-FREE INTEREST RATE | MARKET RISK PREMIUM | BETA | PROPOSED COST OF DEBT <sup>(1)</sup> | COST OF OWN EQUITY | DEBT CAPITAL / EQUITY | RISK-FREE INTEREST RATE | MARKET RISK PREMIUM | BETA | PROPOSED COST OF DEBT <sup>(1)</sup> | COST OF OWN EQUITY | DEBT CAPITAL / EQUITY |
| Belgium         | 0.80%                   | 6.18%               | 0.98 | 2.89%                                | 6.85%              | 18.07%                | -0.06%                  | 6.63%               | 0.99 | 2.67%                                | 6.52%              | 17.15%                |
| France          | 0.75%                   | 6.18%               | 0.98 | 2.89%                                | 6.80%              | 18.07%                | -0.06%                  | 6.63%               | 0.99 | 2.67%                                | 6.52%              | 19.97%                |
| Spain           | 1.63%                   | 6.18%               | 0.98 | 2.89%                                | 7.68%              | 18.07%                | 0.28%                   | 6.63%               | 0.99 | 2.67%                                | 6.86%              | 32.27%                |
| The Netherlands | 0.50%                   | 6.18%               | 0.98 | 2.89%                                | 6.55%              | 18.07%                | -0.32%                  | 6.63%               | 0.99 | 2.67%                                | 6.26%              | 20.20%                |
| Luxembourg      | 0.40%                   | 6.18%               | 0.98 | 2.89%                                | 6.45%              | 18.07%                | -0.36%                  | 6.63%               | 0.99 | 2.67%                                | 6.22%              | 17.28%                |
| Switzerland     | -0.03%                  | 6.18%               | 0.98 | 2.89%                                | 6.02%              | 18.07%                | -0.55%                  | 6.63%               | 0.99 | 2.67%                                | 6.03%              | 15.68%                |
| Poland          | 3.30%                   | 6.18%               | 0.98 | 2.89%                                | 9.35%              | 18.07%                | 2.00%                   | 6.63%               | 0.99 | 2.67%                                | 8.58%              | 15.68%                |
| Canada          | 2.38%                   | 6.18%               | 0.98 | 2.89%                                | 8.43%              | 18.07%                | 1.48%                   | 6.63%               | 0.99 | 2.67%                                | 8.06%              | 53.58%                |

<sup>(1)</sup> Before tax

<sup>(2)</sup> The United States was not added for 2019: no impairment exercise as the transaction was not yet final

The debt to equity ratio is differentiated by country due to the impact of lease liabilities under IFRS 16 at country level. Equity is based on the enterprise value of the company, and not on the consolidated equity. The weighted average cost of the capital is tested annually on the basis of the parameters used by the analysts who follow the Group's share, while also taking into account the specific circumstances of each country. There was always a large margin compared to the parameters used by the analysts.

The weighted average cost of capital before tax is 5.86% for Belgium, 5.75% for France, 5.17% for Canada, 5.50% for Spain, 5.53% for the Netherlands, 5.60% for Luxembourg, 5.50% for Switzerland and 7.65% for Poland (2018: 6.14% for Belgium, 6.10% for France, 7.43% for Canada, 6.82% for Spain, 5.89% for the Netherlands, 5.81% for Luxembourg, 5.46% for Switzerland and 8.19% for Poland). These percentages before tax do not deviate substantially from the iterative calculation.

Management believes that the assumptions used in the impairment tests provide the best estimates of the future developments, and believes that no reasonably possible change in any of the principle assumptions would lead to a carrying amount of the cash-generating units that would materially exceed their recoverable amount.

Sensitivity analyses were performed with regard to the various parameters used.

In one of these analyses, the cost of debt before taxes that was used has been doubled, which would result in an increase of the weighted average costs of capital that varies between 34 and 105 basis points depending on the country. As of a debt cost of 6% (currently 2.67%), this could lead to an impairment in one country.

## GOODWILL PER CASH-GENERATING UNIT

| IN '000 €                               | 2018          | 2019           |
|---|---------------|----------------|
| Belgium                                 | 6 586         | 6 586          |
| France                                  | 11 317        | 11 317         |
| Canada                                  | 32 038        | 34 054         |
| Spain                                   | 2 858         | 22 015         |
| The Netherlands                         | 29 719        | 33 970         |
| United States                           |               | 49 087         |
| Luxembourg                              | 5 844         | 5 844          |
| Poland                                  | 6 502         | 6 502          |
| <b>BALANCE AT END OF CURRENT PERIOD</b> | <b>94 864</b> | <b>169 374</b> |

## BUSINESS COMBINATIONS

### ACQUISITIONS IN 2019

#### Acquisition of 'El Punt'

In December 2018, Kinopolis Group reached an agreement regarding the acquisition of two Spanish cinemas, namely cinema 'Full' in Barcelona and 'El Punt Ribera' in Alzira. Following approval by the Spanish competition authority, Kinopolis Group completed the acquisition on 28 February 2019. The transfer of control took place on 1 March 2019. Both cinemas are part of the El Punt cinema group, which was owned by the Sallent family. The 'El Punt Vallès' cinema, also located in Barcelona is not included in the transaction. All the shares were purchased.

The 'Full' megaplex in Barcelona has 28 screens with a total of 2 689 seats and welcomes more than 1.3 million cinema-goers every year. The complex is leased, and is situated in the 'Splau' commercial centre in Cornellá de Llobregat, close to the airport and 14 km south of Barcelona. The 'Full' cinema complex is the flagship of the El Punt group: all screens are equipped with high-quality 4K projectors and 19 screens have Dolby Atmos sound. The 'El Punt Ribera' cinema is located in a commercial district in Alzira, 44 km south of Valencia. The complex of which the real estate is owned, has 10 screens –

each featuring Dolby 7.1 sound – and 2 528 seats and attracts more than 300 000 visitors annually.

After deduction of cash acquired, the transaction has an enterprise value of € 26.0 million. The inclusion of the cinema group El Punt in the consolidation scope of the Group as of 1 March 2019, the date on which the effective control was acquired, resulted in goodwill of € 19.2 million. This goodwill originates from strengthening the position of Kinopolis in the Spanish market, synergy benefits and being able to offer the Kinopolis film experience to even more visitors.

As of 31 December 2019, the cinema group El Punt contributed € 11.9 million revenue, € 3.9 million EBITDA and € 1.6 million result to the consolidated results of the Group. If the transfer of control had taken place on 1 January 2019, El Punt would have contributed € 13.8 million in revenue, € 4.4 million EBITDA and € 1.9 million in result. The transaction expenses linked to this acquisition were € 0.3 million at 31 December 2019, and were recognised in the result as part of the administrative expenses.

## NET IDENTIFIABLE ASSETS AND LIABILITIES

| IN '000 €   | 2019         |
|---|--------------|
| Property, plant and equipment and intangible assets | 8 130        |
| Other non-current receivables                       | 176          |
| Right-of-use assets                                 | 18 072       |
| Inventories   | 152          |
| Current trade and other receivables                 | 255          |
| Current tax assets                                  | 22           |
| Cash and cash equivalents                           | 414          |
| Lease liabilities                                   | -18 072      |
| Bank overdrafts                                     | -591         |
| Deferred tax liabilities                            | -613         |
| Current trade and other payables                    | -1 110       |
| Current tax liabilities                             | -145         |
| <b>TOTAL</b>  | <b>6 690</b> |

Property, plant and equipment and intangible assets of El Punt amount to € 8.1 million and are recognised at fair value. € 4.9 million concerns land and building related to the El Punt cinema complex in Alzira. The remaining part of € 3.2 million is allocated to furnishings, seats, screens and projectors. The 'Full' cinema in Barcelona is leased. When applying IFRS 16, a right-of-use asset and a lease liability of € 18.1 million are recognised on the balance sheet. Kinopolis pays an at arm's length rent that is reflected in the right-of-use assets.

Current trade and other payables included € 0.8 million in trade payables, € 0.2 million in remuneration, social security and other taxes, and € 0.2 million debt to previous shareholders. The deferred tax liability was recognised on the fair value revaluation of the building in Alzira. The revaluation of the building is based on a valuation report carried out by an external party. The other elements of the net identifiable assets and liabilities have not been adjusted, as they have already been included at fair value.

## GOODWILL CALCULATION AND RECONCILIATION WITH THE CONSOLIDATED CASH FLOW STATEMENT

| IN '000 €  | 2019          |
|--|---------------|
| <b>NET IDENTIFIABLE ASSETS AND LIABILITIES</b>   | <b>6 690</b>  |
| Cash   | 26 003        |
| Repayment of debt to the previous shareholders   | -156          |
| <b>CONSIDERATION [1]</b>   | <b>25 847</b> |
| Net acquired cash [2]  | -177          |
| <b>ACQUISITION OF SUBSIDIARIES, NET OF ACQUIRED CASH,<br/>IN THE CASH FLOW STATEMENT (1) - (2)</b> | <b>26 024</b> |
| <b>GOODWILL</b>  | <b>19 157</b> |

The cash has been adjusted in the above table by a repayment of a debt paid by the previous shareholders and for name and account of 'Full'. This debt is not part of the acquisition.

Kinepolis will always carry out an acquisition without external debts (excluding lease liabilities). The goodwill generated is not tax-deductible.

### Acquisition of 'Arcaplex'

Mid-October, Kinepolis reached an agreement with the shareholders of Arcaplex regarding the acquisition of the Dutch cinema. As of 14 November 2019, Kinepolis Group took over both the real estate and the operation of the Arcaplex cinema located in Spijkenisse, the Netherlands. The cinema, which was previously owned and operated by the Rump family, has 9 screens and 951 seats, and welcomed more than 200 000 visitors in 2018. The cinema was thoroughly renovated and expanded in the spring of 2018. Three new screens were added in the process, provided with every seating comfort and equipped with laser projection for crystal-clear picture quality.

The fair value of the acquired assets and liabilities was provisionally determined in order to calculate the goodwill resulting from this acquisition. The definitive value of the acquired assets and liabilities will be determined within a period of 12 months from the date of acquisition and, if necessary, any appropriate additional adjustments will be made to the fair value.

After deduction of the cash acquired, the transaction has an enterprise value of € 9.1 million. External debts were repaid just before acquisition, and were replaced by financing from the Group. The inclusion of Arcaplex in the consolidation scope of the Group from 14 November 2019, the date on which effective control was acquired, resulted in goodwill of € 4.3 million. This goodwill originates from the strengthening of the position of Kinepolis on the Dutch market, synergy benefits and the offer of the Kinepolis film experience to even more visitors.

As of 31 December 2019, Arcaplex contributed € 0.5 million revenue, € 0.2 million EBITDA and € 0.1 million result to the consolidated results of the Group. If the control had been transferred on 1 January 2019, Arcaplex would have contributed € 3.0 million revenue, € 0.6 million EBITDA and € 0.1 million result. The transaction expenses linked to this acquisition were € 0.1 million at 31 December 2019, and were recognised in the result as part of the administrative expenses.

## NET IDENTIFIABLE ASSETS AND LIABILITIES

| IN '000 €   | 2019      |
|---|-----------|
| Property, plant and equipment and intangible assets | 5 739     |
| Inventories   | 14        |
| Current trade and other receivables                 | 160       |
| Bank overdrafts                                     | -211      |
| Deferred tax liabilities                            | -179      |
| Current trade and other payables                    | -5 442    |
| Current tax liabilities                             | -31       |
| <b>TOTAL</b>  | <b>51</b> |

Property, plant and equipment and intangible assets of Arcaplex amount to € 5.7 million and are recognised at fair value. € 5.4 million concerns land and building related to the Arcaplex cinema complex in Spijkenisse. The remaining part of € 0.3 million is allocated to seats and projectors. Current trade and other payables included € 0.7 million in trade payables, € 0.2 million in remunerations, social security debts

and other taxes and € 4.6 million in debt to previous shareholders. The deferred tax liability was recognised on the fair value revaluation of the land in Spijkenisse. The revaluation of the land is based on a valuation report carried out by an external party. The other elements of the net identifiable assets and liabilities have not been adjusted, as they have already been included at fair value.

## GOODWILL CALCULATION AND RECONCILIATION WITH THE CONSOLIDATED CASH FLOW STATEMENT

| IN '000 €  | 2019         |
|--|--------------|
| <b>NET IDENTIFIABLE ASSETS AND LIABILITIES</b>   | <b>51</b>    |
| <b>CONSIDERATION [1]</b>   | <b>4 302</b> |
| Net acquired cash [2]  | -211         |
| Repayment of debt [3]  | 4 564        |
| <b>ACQUISITION OF SUBSIDIARIES, NET OF ACQUIRED CASH, IN THE CASH FLOW STATEMENT [1] - [2] + [3]</b> |              |
| <b>GOODWILL</b>  | <b>4 252</b> |

The cash has been adjusted in the table above, with changes in current account and working capital. Kinopolis will always carry out an acquisition without external debts. Any external debts are repaid just before acquisition, and are replaced by an intra-group loan.

The repayment of these debts in the context of the acquisition of Arcaplex for an amount of € 4.6 million is therefore also included in the acquisition of subsidiaries in the cash flow statement. The goodwill generated is not tax-deductible.

### Acquisition of MJR Digital Cinemas

In September, Kinopolis announced the acquisition of Michigan-based MJR Digital Cinemas, but it was still subject to regulatory approvals from United States regulators. After obtaining the necessary approvals, Kinopolis was able to successfully complete the acquisition procedure on 11 October 2019.

MJR Digital Cinemas, with head office in Bloomfield Hills, Michigan, has 10 cinema complexes with a total of 164 screens and 16 630 seats, all located in Michigan. All the cinemas involved are multi- and megaplexes with capacities ranging from 10 to 20 screens.

Seven of these cinemas are owned (114 screens), including three on a leasehold site, the remaining three are leased complexes (50 screens). The Group has three megaplexes with 20 screens each, five cinemas with 16 screens, one with 14 screens and one with 10 screens. All screens have 5.1 digital surround sound, and two complexes have an 'EPIC experience' auditorium, where 4K projection is combined with Dolby Atmos sound. Nine out of ten cinemas are also equipped with the 'recliner' seat concept, the motorised, fully reclinable seats with footrest, which are also very successful in Canada.

The fair value of the acquired assets and liabilities has been provisionally determined to calculate the goodwill resulting from this acquisition. The definitive value of the acquired assets and liabilities will be determined within a period of 12 months from the date of acquisition and, if necessary, any appropriate additional adjustments will be made to the fair value.

The transaction has an enterprise value, after deduction of cash acquired, of € 138.8 million (154.0 million USD). External debts were repaid just before acquisition, and were replaced by financing from the Group. The inclusion of MJR Digital Cinemas in the Group's scope of consolidation as of 11 October 2019, the date on which effective control was acquired, resulted in goodwill of € 50.1 million. Taking into account that, in accordance with IFRS 9, the fair value of forward exchange contracts (€ 1.1 million) related to financial instruments entered into solely to finance a foreign currency acquisition (MJR Digital Cinemas) may be recognised in the determination of goodwill. The total goodwill originates from the strengthening of the position of Kinopolis in the North American market and gaining access to the American market, the visitor and intended improvement potential of the existing cinemas and their locations. The acquisition is in line with Kinopolis's expansion strategy and allows the Group to enter a new market, characterised by a healthy macro-economic perspective, a growing population and a favourable business climate.

As of 31 December 2019, MJR Digital Cinemas contributed € 15.7 million revenue, € 4.9 million EBITDA and € 1.2 million result to the Group's consolidated results. If the control had been transferred on 1 January 2019, MJR Digital Cinemas would have contributed € 64.7 million revenue, € 10.2 million EBITDA and € 1.7 million result. The transaction expenses linked to this acquisition were € 1.2 million at 31 December 2019, and were recognised in the result as part of the administrative expenses.



## NET IDENTIFIABLE ASSETS AND LIABILITIES

| IN '000 €                           | 2019          |
|-------------------------------------|---------------|
| Intangible assets                   | 2 603         |
| Property, plant and equipment       | 90 258        |
| Right-of-use assets                 | 54 894        |
| Non-current other receivables       | 208           |
| Inventories                         | 413           |
| Current trade and other receivables | 1 687         |
| Cash and cash equivalents           | 1 828         |
| Non-current loans and borrowings    | -25 589       |
| Lease liabilities                   | -54 894       |
| Current trade and other payables    | -5 342        |
| <b>TOTAL</b>                        | <b>66 064</b> |

Property, plant and equipment and intangible assets are recognised at fair value. The intangible assets (€ 2.6 million) mainly relate to the trade name 'MJR Digital Cinemas' (€ 1.7 million). The trade name will be retained, as Kinopolis will operate in the United States under the name MJR Digital Cinemas. As MJR Digital Cinemas operates in only one state, Michigan, it was decided to opt for a definite useful life. If Kinopolis decides to expand its operations in the United States, it may be decided to assign a different trade name to all activities in the United States. The valuation was included on the basis of an actuarial report, using the 'value differential' method. The other intangible assets consist of software and licences.

Property, plant and equipment amount to € 90.3 million. Of this, € 67.3 million is related to land and buildings, € 11.8 million to furnishings and leasehold improvements, as well as land improvements and € 11.2 million for equipment such as seats, screens, projectors and sound systems, as well as the renovation of the complex in Adrian.

There are three leased complexes and three leasehold sites. When applying IFRS 16, a right-of-use asset and a lease liability of € 54.9 million are thereby recognised on the balance sheet. Kinopolis pays an at arm's length rent that is reflected in the right-of-use assets.

Current trade and other receivables include € 1.1 million trade receivables and € 0.6 million other receivables. No material impairments were recognised on receivables at year-end. Non-current loans and borrowings (€ 25.6 million) concerns debts that were paid just before acquisition and that were replaced by internal financing. Current trade and other payables include € 5.2 million in trade payables and € 0.1 million in other payables.

Deferred tax liabilities were recognised on the fair value revaluation of the land and buildings of the owned complexes for € 4.5 million. The revaluations are based on valuation reports carried out by an external party. The deferred tax position is fully offset by the deferred tax asset on other differences (€ 0.3 million) and on goodwill created upon acquisition (€ 4.2 million). The goodwill generated is tax-deductible. This deferred tax asset will be included in the result according to the fiscally accepted depreciation of this goodwill.

The other elements of the net identifiable assets and liabilities have not been adjusted, as they have already been included at fair value.

## GOODWILL CALCULATION AND RECONCILIATION WITH THE CONSOLIDATED CASH FLOW STATEMENT

| IN '000 €  | 2019           |
|--|----------------|
| <b>NET IDENTIFIABLE ASSETS AND LIABILITIES</b>   | <b>66 064</b>  |
| Cash [1]   | 116 217        |
| Outstanding receivables based on the final settlement  | 1 974          |
| <b>CONSIDERATION</b>   | <b>114 243</b> |
| Net acquired cash [2]  | 1 828          |
| Repayment of debt [3]  | 25 589         |
| Hedge accounting linked to the acquisition [4]   | 1 148          |
| <b>ACQUISITION OF SUBSIDIARIES, NET OF ACQUIRED CASH, IN THE CASH FLOW STATEMENT [1] - [2] + [3] - [4]</b> | <b>138 830</b> |
| <b>GOODWILL</b>  | <b>50 125</b>  |

The cash has been adjusted in the table, with changes in current account and working capital. Kinopolis will always carry out an acquisition without external debts (excl. lease liabilities). Any external debts are repaid just before acquisition, and are replaced by an intra-group loan. The repayment

of these debts in the context of the acquisition of MJR Digital Cinemas for an amount of € 25.6 million is therefore also included in the acquisition of subsidiaries in the cash flow statement. There is still an outstanding receivable based on the final settlement of € 2.0 million in favour of Kinopolis.

## ACQUISITIONS IN 2018

### Acquisition of 'NH Bioscopen'

Just before Christmas 2017, Kinopolis Group reached an agreement on the acquisition of the NH Bioscopen cinemas in Schagen and Hoofddorp (NL), with control transferred on 1 January 2018. The agreement also covers a new-build project in Haarlem (NL). The cinema complexes in question and the new-build project in Haarlem were owned by Mr. and Mrs. Frits and Irma Nieuwenhuizen, who are also the managers of the cinemas in Schagen and Hoofddorp. The NH cinema on Texel is not included in the agreement.

The cinema in Schagen has five screens and 560 seats, welcoming some 220 000 visitors annually. The cinema in Hoofddorp has eight screens and 1 100 seats, welcoming some 390 000 visitors annually. The cinema under construction in Schalkwijk, in Haarlem, will have 6 screens and approximately 850 seats. The construction of this complex has already started.

The transaction has an enterprise value, after deduction of cash acquired, of € 27.0 million. External debts were repaid just before acquisition, and were replaced by financing from

the Group. € 1.7 million of the total consideration is conditional. The conditional € 1.7 million is linked to whether or not the new-build project in Haarlem (NL) will be realised. The contingent consideration was already paid in 2018. The building permit was granted in 2019 and construction started in mid-October 2019.

The inclusion of NH Bioscopen in the consolidation scope of the Group on 1 January 2018, the date on which effective control was acquired, resulted in goodwill of € 10.1 million. The origin of this goodwill is the strengthening of Kinopolis's position on the Dutch market and the offer of the Kinopolis film experience to even more visitors.

In 2018, NH Bioscopen contributed € 7.5 million in revenue and € 1.0 million in EBITDA to the consolidated results of the Group. The transaction expenses linked to this acquisition were € 0.1 million at 31 December 2017, and were recognised in the result as part of the administrative expenses.

## NET IDENTIFIABLE ASSETS AND LIABILITIES

| IN '000 €   | 2018         |
|---|--------------|
| Property, plant and equipment and intangible assets | 19 289       |
| Inventories   | 140          |
| Current trade and other receivables                 | 135          |
| Cash and cash equivalents                           | 418          |
| Non-current loans and borrowings                    | -6 442       |
| Deferred tax liabilities                            | -1 859       |
| Current loans and borrowings                        | -648         |
| Current trade and other payables                    | -1 419       |
| <b>TOTAL</b>  | <b>9 614</b> |

Property, plant and equipment and intangible assets of NH Bioscopen amount to € 19.3 million, and are recognised at fair value. € 18.8 million concerns land and buildings related to the cinema complexes at Schagen and Hoofddorp (NL). The remaining € 0.5 million is allocated to seats, screens, projectors and sound systems. Loans and borrowings were paid immediately before the transaction and were replaced by an intra-group loan. Current trade and other payables were mainly payables of the previous owner of NH Bioscopen, and were paid immediately after the transaction and replaced by

internal financing (€ 0.6 million). Also considering the current and non-current loans and borrowings, this explains the repayment of the debt of € 7.7 million in the table below. The deferred tax liability was recognised for the fair value revaluation of the buildings in Schagen and Hoofddorp. The revaluation of the buildings is based on valuation reports carried out by external parties. The other elements of the net identifiable assets and liabilities have not been adjusted, as they have already been included at fair value.

## GOODWILL CALCULATION AND RECONCILIATION WITH THE CONSOLIDATED CASH FLOW STATEMENT

| IN '000 €  | 2018          |
|--|---------------|
| <b>NET IDENTIFIABLE ASSETS AND LIABILITIES</b>   | <b>9 614</b>  |
| Cash   | 17 972        |
| Contingent considerations  | 1 700         |
| <b>CONSIDERATION [1]</b>   | <b>19 672</b> |
| Net acquired cash [2]  | 418           |
| Repayment of debt [3]  | 7 701         |
| <b>ACQUISITION OF SUBSIDIARIES, NET OF ACQUIRED CASH, IN THE CASH FLOW STATEMENT [1] - [2] + [3]</b> | <b>26 955</b> |
| <b>GOODWILL</b>  | <b>10 058</b> |

The cash has been adjusted in the above table, with changes in current account and working capital. Kinopolis will always carry out an acquisition without external debts. Any external debts are repaid just before acquisition, and are replaced by an intra-group loan.

### *Acquisition of the 'Palace' cinema in Metz*

On 8 January 2018, Kinopolis took over the operation of the 'Palace' cinema in Metz (FR) for an amount of € 0.5 million. The cinema, which is situated in the 'Quartier de l'Amphithéâtre', was immediately closed for a complete renovation and transformation into a new art-house cinema.

The repayment of these debts in the context of the acquisition of NH Bioscopen for an amount of € 7.7 million is therefore also included in the acquisition of subsidiaries in the cash flow statement. The goodwill generated is not tax-deductible.

The art-house cinema now has seven screens and 984 seats, and fits in with the joint ambition of Kinopolis and the City of Metz to bring a new, contemporary film offering to the city centre. The cinema was reopened on 30 August 2018.

| IN '000 €                 | 2018       |
|---------------------------|------------|
| Intangible assets         | 263        |
| Current other receivables | 287        |
| <b>TOTAL</b>              | <b>550</b> |

# 11. Property, plant and equipment

| IN '000 €                                  | LAND AND BUILDINGS | PLANT, MACHINERY & EQUIPMENT | ASSETS UNDER CONSTRUCTION | TOTAL          |
|--|--------------------|------------------------------|---------------------------|----------------|
| Acquisition value                          | 561 544            | 289 394                      | 7 142                     | 858 080        |
| Depreciation and impairment losses         | -254 439           | -213 642                     |                           | -468 081       |
| <b>NET CARRYING AMOUNT AT 31/12/2017</b>   | <b>307 105</b>     | <b>75 752</b>                | <b>7 142</b>              | <b>389 999</b> |
| Acquisitions                               | 19 846             | 22 849                       | 15 582                    | 58 277         |
| Sales and disposals                        | -123               | -213                         | -184                      | -520           |
| Acquisitions through business combinations | 18 754             | 462                          | 120                       | 19 337         |
| Assets classified as held for sale         | -4 419             | -3                           |                           | -4 422         |
| Transfer to other categories               | 6 812              | 13 337                       | -19 790                   | 359            |
| Depreciation                               | -19 295            | -16 948                      |                           | -36 243        |
| Effect of exchange rate fluctuations       | -1 536             | -872                         | -39                       | -2 447         |
| Acquisition value                          | 602 993            | 311 861                      | 2 830                     | 917 684        |
| Depreciation and impairment losses         | -275 848           | -217 497                     |                           | -493 344       |
| <b>NET CARRYING AMOUNT AT 31/12/2018</b>   | <b>327 145</b>     | <b>94 364</b>                | <b>2 830</b>              | <b>424 339</b> |
| Transfer to Right-of-use assets            | -6 702             |                              |                           | -6 702         |
| <b>NET CARRYING AMOUNT AT 01/01/2019</b>   | <b>320 443</b>     | <b>94 364</b>                | <b>2 830</b>              | <b>417 637</b> |
| Acquisitions                               | 15 689             | 38 480                       | 5 813                     | 59 982         |
| Sales and disposals                        | -7                 | -235                         | -176                      | -418           |
| Acquisitions through business combinations | 89 918             | 14 176                       |                           | 104 094        |
| Transfer to other categories               | -421               | 2 296                        | -2 253                    | -378           |
| Depreciation                               | -20 337            | -22 099                      |                           | -42 436        |
| Effect of exchange rate fluctuations       | 2 202              | 1 572                        | 68                        | 3 843          |
| Acquisition value                          | 730 606            | 394 979                      | 6 284                     | 1 131 868      |
| Depreciation and impairment losses         | -323 119           | -266 425                     |                           | -589 544       |
| <b>NET CARRYING AMOUNT AT 31/12/2019</b>   | <b>407 487</b>     | <b>128 554</b>               | <b>6 284</b>              | <b>542 324</b> |

## TRANSFER TO RIGHT-OF-USE ASSETS

The Group applied the new standard IFRS 16: Leases for the first time on 1 January 2019. As a result, as of 1 January 2019, a reclassification of the finance leases (€ 6.7 million) took place, which were previously included in Property, plant and equipment, to Right-of-use assets. For more information, we refer to note 26.

## ACQUISITIONS

Acquisitions in 2019 included ongoing investments in machinery and equipment in Belgium (€ 9.9 million), France (€ 10.8 million) and Canada (€ 6.8 million). In addition, there have been investments in land and buildings in Canada (€ 12.0 million), the Netherlands (€ 1.3 million) and Belgium (€ 1.3 million), mainly related to the new construction projects in Regina (CA), Market Mall (CA), South East Edmonton (CA) and Haarlem (NL).

## SALES AND DISPOSALS

The sales and disposals within the Plant, machinery and equipment section mainly concerns the disposals of old projectors and payment terminals.

## ACQUISITION THROUGH BUSINESS COMBINATIONS

Through the 2019 acquisitions of MJR Digital Cinemas in the United States (€ 90.3 million), El Punt in Spain (€ 8.1 million) and Arcaplex in the Netherlands (€ 5.7 million), property, plant and equipment increased by € 104.1 million.

For more information about business combinations, we refer to note 10.

## 12. Investment property

| IN '000 €                                | LAND AND BUILDINGS | PLANT, MACHINERY & EQUIPMENT | TOTAL         |
|--|--------------------|------------------------------|---------------|
| Acquisition value                        | 23 682             | 523                          | 24 205        |
| Depreciation and impairment losses       | -5 969             | -488                         | -6 457        |
| <b>NET CARRYING AMOUNT AT 31/12/2017</b> | <b>17 713</b>      | <b>35</b>                    | <b>17 748</b> |
| Acquisitions                             | 54                 |                              | 54            |
| Sales and disposals                      | -135               |                              | -135          |
| Depreciation                             | -324               | -16                          | -340          |
| Effect of exchange rate fluctuations     | -281               | -2                           | -283          |
| Acquisition value                        | 23 138             | 507                          | 23 645        |
| Depreciation and impairment losses       | -6 111             | -490                         | -6 601        |
| <b>NET CARRYING AMOUNT AT 31/12/2018</b> | <b>17 027</b>      | <b>17</b>                    | <b>17 044</b> |
| Acquisitions                             | 79                 | 6                            | 85            |
| Depreciation                             | -325               | -8                           | -333          |
| Effect of exchange rate fluctuations     | 84                 | 1                            | 85            |
| Acquisition value                        | 23 363             | 519                          | 23 882        |
| Depreciation and impairment losses       | -6 498             | -503                         | -7 001        |
| <b>NET CARRYING AMOUNT AT 31/12/2019</b> | <b>16 865</b>      | <b>16</b>                    | <b>16 881</b> |

As of 18 January 2007 the land, buildings, machines and equipment in Poznań (PL) are no longer used for Kinopolis own operations, but leased to Cinema City, owned by the cinema group Cineworld, and to a number of smaller third parties. As required by IAS 40 (Investment property), the assets in question have been classified as investment property. The Group received a bank guarantee on first demand for € 0.3 million from Cinema City.

The total carrying amount of the investment property in Poland is € 10.1 million (2018: € 10.3 million).

The plot in Valencia (ES) (€ 6.7 million) has been part of the investment property since 2015, as it is reserve capacity that is not necessary for the execution of the business and can be redeveloped.

Rental income from investment property was € 1.8 million (2018: € 1.9 million). The direct operating charges (including repairs and maintenance) ensuing from investment property were € 0.5 million (2018: € 0.4 million).

### FAIR VALUE

The fair value of the investment property is measured annually by independent experts.

The external experts possess the required recognised professional qualifications and experience in appraising real estate at the locations and in the categories concerned.

The fair value of the investment property was € 39.0 million (2018: € 38.6 million). The increase is due to the exchange rate fluctuation of the Polish Zloty.

The fair value of the investment property is recognised as a level 3 fair value based on the unobservable inputs that were used for the measurement. The market approach is used for the measurement of the fair value of the land and buildings. The independent experts base the price per square meter on their knowledge of the market and information on market transactions relating to comparable assets. The size, characteristics, location and layout of the land and buildings and the destination of the area in which they are situated have also been taken into account. When determining the fair value of the buildings, their accessibility and the visibility from the street are also taken into account. The fair value of the other assets that are part of investment property is measured on the basis of the cost approach, in which the current replacement value of the assets is adjusted to account for physical, functional and economic obsolescence.

## 13. Deferred tax

The increase in deferred tax liabilities mainly relates to the application of the new standard IFRS 16: Leases, effective as of 1 January 2019. The application of the new standard causes a large increase in both deferred tax assets on lease liabilities and deferred tax liabilities on right-of-use assets and a decrease in the deferred tax asset on provisions. In addition, we also see a strong increase in deferred tax liabilities on property, plant and equipment and intangible assets, mainly due to the various acquisitions in 2019. This increase is partially offset by a higher deferred tax asset in the United States on goodwill and tax losses carried forward. For more information about business combinations, we refer to note 10.

### TAX LOSSES CARRIED FORWARD AND UNUSED TAX CREDITS

Deferred tax assets on tax losses carried forward are recognised only if future taxable profits will be available to recover these losses, based on budgets and estimates for the next five years. The budgets and estimates are further expanded to future expected taxable profits in order to analyse the recoverability of the losses and credits.

On tax losses carried forward and unused tax credits for an amount of € 12.6 million (2018: € 10.4 million), no deferred tax asset has been recognised in the balance sheet, as

based on our budgets and estimates it seems unlikely that sufficiently taxable profit will be available in the foreseeable future to enjoy the tax benefit.

On tax losses carried forward and unused tax credits for an amount of € 26.4 million (2018: € 9.7 million), a deferred tax asset has been recognised in the balance sheet. It is probable that sufficient taxable profit will be available for these losses.

The tax losses carried forward are indefinite in Belgium, France, the Netherlands, Luxembourg and the United States. In Canada, tax losses carried forward can be carried forward for 20 years.

In the United States, the tax losses carried forward are the result of a tax principle in which the future depreciation expense of property, plant and equipment and intangible assets (excluding goodwill) with a remaining life time less than or equal to 20 years is recognised immediately in the tax result. This principle was applied after the acquisition of MJR Digital Cinemas. The tax losses carried forward resulting from this can be carried forward indefinitely, with a maximum use of 80% of the taxable profit of the financial year.

The tax losses carried forward and unused tax credits can be allocated as follows:

| IN '000 €       | 2018          |   |  | 2019          |   |  |
|-----------------|---------------|---|--|---------------|---|--|
|                 | TOTAL         | LOSS FOR WHICH A DEFERRED TAX ASSET IS RECOGNISED | LOSS FOR WHICH NO DEFERRED TAX ASSET IS RECOGNISED | TOTAL         | LOSS FOR WHICH A DEFERRED TAX ASSET IS RECOGNISED | LOSS FOR WHICH NO DEFERRED TAX ASSET IS RECOGNISED |
| Belgium         | 12 702        | 5 416   | 7 286  | 14 319        | 4 637   | 9 682  |
| France          | 2 328         | 2 328   |  | 2 129         | 2 129   |  |
| Canada          | 1 916         | 1 916   |  |               |   |  |
| The Netherlands |               |   |  | 243           | 243   |  |
| United States   |               |   |  | 19 428        | 19 428  |  |
| Luxembourg      | 3 102         |   | 3 102  | 2 923         |   | 2 923  |
| <b>TOTAL</b>    | <b>20 048</b> | <b>9 660</b>                                      | <b>10 388</b>                                      | <b>39 042</b> | <b>26 437</b>                                     | <b>12 605</b>                                      |

## DEFERRED TAX ASSETS AND LIABILITIES

The deferred tax assets and liabilities recognised in the statement of financial position can be attributed as follows:

| IN '000 €   | 2018         |                |                | 2019           |                 |                |
|---|--------------|----------------|----------------|----------------|-----------------|----------------|
|   | ASSETS       | LIABILITIES    | DIFFERENCE     | ASSETS         | LIABILITIES     | DIFFERENCE     |
| Property, plant and equipment and intangible assets | 92           | -25 459        | -25 368        | 382            | -37 755         | -37 373        |
| Goodwill  |              |                |                | 4 090          |                 | 4 090          |
| Right-of-use assets                                 |              |                |                |                | -98 259         | -98 259        |
| Receivable CNC government grants                    | 300          | -379           | -79            | 187            |                 | 187            |
| Trade and other receivables                         | 167          | -397           | -231           | 328            | -63             | 265            |
| Provisions  | 3 488        | -153           | 3 336          |                | -156            | -156           |
| Deferred CNC government grants                      | 936          | -354           | 582            | 899            | -321            | 579            |
| Provisions for employee benefits                    | 159          |                | 159            | 257            |                 | 257            |
| Derivative financial instruments through equity     | 63           |                | 63             | 50             |                 | 50             |
| Tax losses carried forward and unused tax credits   | 2 731        | -273           | 2 459          | 6 749          |                 | 6 749          |
| Lease liabilities                                   |              |                |                | 104 040        |                 | 104 040        |
| Trade and other payables                            | 540          | -105           | 435            | 391            |                 | 391            |
| Investments in subsidiaries                         |              | -447           | -447           |                |                 |                |
| <b>TOTAL</b>  | <b>8 476</b> | <b>-27 566</b> | <b>-19 090</b> | <b>117 372</b> | <b>-136 553</b> | <b>-19 181</b> |
| Tax offsetting                                      | -7 049       | 7 049          |                | -116 145       | 116 145         |                |
| <b>NET DEFERRED TAX ASSETS AND LIABILITIES</b>      | <b>1 427</b> | <b>-20 517</b> | <b>-19 090</b> | <b>1 227</b>   | <b>-20 408</b>  | <b>-19 181</b> |

## CHANGES IN DEFERRED TAX BALANCES DURING THE YEAR

| IN '000 €   | 2017           | RECOGNISED<br>IN PROFIT<br>AND LOSS | RECOGNISED<br>IN OTHER<br>COMPREHEN-<br>SIVE INCOME | ACQUISITIONS<br>THROUGH<br>BUSINESS<br>COMBINATIONS | 2018           | RECOGNISED<br>IN PROFIT<br>AND LOSS | EFFECT OF<br>EXCHANGE<br>RATE<br>FLUCTUATIONS | RECOGNISED IN<br>OTHER<br>COMPREHENSIVE<br>INCOME | ACQUISITIONS<br>THROUGH<br>BUSINESS<br>COMBINATIONS | 2019           |
|---|----------------|-------------------------------------|---|---|----------------|-------------------------------------|---|---|---|----------------|
|   |                |                                     |   |   |                |                                     |   |   |   |                |
| Goodwill  |                |                                     |   |   |                |                                     | -85   |   | 4 175   | 4 090          |
| Right-of-use assets                               |                |                                     |   |   |                | -98 259                             |   |   |   | -98 259        |
| Receivable CNC government grants                  | 517            | -596                                |   |   | -79            | 265                                 |   |   |   | 187            |
| Inventories                                       | 4              | -4                                  |   |   |                |                                     |   |   |   |                |
| Trade and other receivables                       | -636           | 405                                 |   |   | -231           | 156                                 | -34   |   | 374   | 265            |
| Provisions  | 4 142          | -807                                |   |   | 3 336          | -3 655                              | 164   |   |   | -156           |
| Deferred CNC government grants                    | 442            | 140                                 |   |   | 582            | -3                                  |   |   |   | 579            |
| Provisions for employee benefits                  | 145            | 16                                  | -2  |   | 159            | -33                                 |   | 130   |   | 257            |
| Derivative financial instruments through equity   | 72             | -9                                  |   |   | 63             | 8                                   |   | -20   |   | 50             |
| Tax losses carried forward and unused tax credits | 4 577          | -2 118                              |   |   | 2 459          | 4 254                               | 36  |   |   | 6 749          |
| Lease liabilities                                 |                |                                     |   |   |                | 104 040                             |   |   |   | 104 040        |
| Trade and other payables                          | 333            | 102                                 |   |   | 435            | -56                                 | 11  |   |   | 391            |
| Investments in subsidiaries                       | -479           | 32                                  |   |   | -447           | 447                                 |   |   |   |                |
| <b>TOTAL</b>                                      | <b>-16 977</b> | <b>-256</b>                         | <b>-2</b>   | <b>-1 856</b>                                       | <b>-19 090</b> | <b>971</b>                          | <b>-378</b>                                   | <b>110</b>  | <b>-793</b>   | <b>-19 181</b> |

The movements in deferred taxes, as a result of the acquisitions of Arcaplex in the Netherlands, El Punt in Spain and MJR Digital Cinemas in the United States (€ -0.8 million), are mainly attributable to the fair value adjustments of the various land and buildings (€ -5.3 million). This deferred tax liability will be included in the result according to the depreciation rate of the Group. In the United States, the deferred tax liability is offset

by a deferred tax asset on goodwill created upon acquisition (€ 4.2 million). The goodwill of the acquisition of MJR Digital Cinemas is tax-deductible. This deferred tax asset will be included in the result according to the fiscally accepted depreciation of this goodwill. For more information about business combinations, we refer to note 10.

## 14. Inventories

| IN '000 €                                  | 2018         | 2019         |
|--|--------------|--------------|
| 3D glasses                                 | 406          | 424          |
| Goods purchased for resale in cinemas      | 2 658        | 3 641        |
| Components inventory, technical department | 1 670        | 1 419        |
| Others                                     | 184          | 367          |
| <b>TOTAL</b>                               | <b>4 918</b> | <b>5 851</b> |

The cost of sales of inventories recognised in the income statement was € 35.1 million (2018: € 29.5 million).

## 15. Trade and other receivables

### NON-CURRENT OTHER RECEIVABLES

| IN '000 €               | 2018          | 2019         |
|-------------------------|---------------|--------------|
| Cash guarantees         | 979           | 1 408        |
| Government grants – CNC | 7 663         | 7 231        |
| Other receivables       | 2 144         | 372          |
| <b>TOTAL</b>            | <b>10 786</b> | <b>9 011</b> |

The non-current government grants relate mainly to the sector-related government grants that can be obtained in France from the CNC based on the number of visitors. For more information, we refer to note 4.

The other receivables in 2018 mainly consist of a prepayment in Canada with regard to a lease contract. Throughout 2019, the lease commenced and the prepayment was deducted from Right-of-use assets by applying the new standard IFRS 16: Leases. For more information, we refer to note 26.

### CURRENT TRADE AND OTHER RECEIVABLES

| IN '000 €                                | 2018          | 2019          |
|--|---------------|---------------|
| Trade receivables                        | 34 541        | 42 489        |
| Tax receivables, other than income taxes | 4 235         | 5 309         |
| Deferred charges and accrued income      | 1 564         | 28            |
| Tax shelter receivables                  | 148           | 88            |
| Tax shelter investments                  | 304           | 304           |
| Other receivables                        | 2 206         | 5 167         |
| <b>TOTAL</b>                             | <b>42 998</b> | <b>53 385</b> |

Trade receivables increased by € 7.9 million or 23.0%, mainly related to increased activity as of 31 December 2019 compared to last year and due to the expansion of MJR Digital Cinemas (USA), El Punt (ES) and Arcaplex (NL).

The increase in tax receivables, other than income taxes, can be explained by a higher outstanding VAT receivable as at 31 December 2019.

As for the deferred charges, as of 31 December 2018, there was an outstanding receivable in Canada due to future step-up rent over the term of the contract (€ 1.5 million). By applying IFRS 16 on 1 January 2019, this receivable was deducted from Right-of-use assets, resulting in a decrease in deferred charges. For more information, we refer to note 26.



The tax shelter receivables concern the loans made to third parties to finance and support film production in Belgium. The tax shelter investments concern the film rights the Group acquires as part of tax shelter transactions.

Other current receivables as at 31 December 2018 included advance lease payments (€ 0.4 million). By applying IFRS 16 on 1 January 2019, this receivable was deducted from Right-of-use assets. For more information, we refer to note 26.

The other current receivables primarily consist of the current portion of the French sector-related government grants (CNC) for € 2.2 million (2018: € 1,7 million) and the advances on the social security of € 0.6 million (2018: € 0.5 million). In addition, as of 31 December 2019, there is an outstanding receivable related to the acquisition of MJR Digital Cinemas (€ 2.0 million). For more information, we refer to note 10.

## AGEING OF THE NON-CURRENT AND CURRENT TRADE AND OTHER RECEIVABLES

| IN '000 €                            | 2018                  |               |                     | 2019                  |               |                     |
|--------------------------------------|-----------------------|---------------|---------------------|-----------------------|---------------|---------------------|
|                                      | GROSS CARRYING AMOUNT | IMPAIRMENT    | NET CARRYING AMOUNT | GROSS CARRYING AMOUNT | IMPAIRMENT    | NET CARRYING AMOUNT |
| Not yet due on reporting date        | 45 652                | -2            | 45 650              | 52 007                | -2            | 52 005              |
| Less than 30 days past due           | 5 567                 | -31           | 5 536               | 4 861                 |               | 4 861               |
| Between 31 and 120 days past due     | 1 138                 | 15            | 1 153               | 3 273                 | -27           | 3 246               |
| Between 120 days and 1 year past due | 1 587                 | -566          | 1 021               | 2 110                 | -389          | 1 721               |
| Over 1 year past due                 | 1 428                 | -1 004        | 424                 | 1 661                 | -1 098        | 563                 |
| <b>TOTAL</b>                         | <b>55 372</b>         | <b>-1 588</b> | <b>53 784</b>       | <b>63 912</b>         | <b>-1 516</b> | <b>62 396</b>       |

## MOVEMENT OF IMPAIRMENT ON TRADE RECEIVABLES

| IN '000 €                               | 2018          | 2019          |
|---|---------------|---------------|
| BALANCE AT END OF PREVIOUS PERIOD       | -1 534        | -1 588        |
| Recognised impairments                  | -811          | -760          |
| Utilised impairments                    | -152          | 169           |
| Reversed impairments                    | 906           | 668           |
| Effect of exchange rate fluctuations    | 3             | -5            |
| <b>BALANCE AT END OF CURRENT PERIOD</b> | <b>-1 588</b> | <b>-1 516</b> |

The impairments on trade receivables have decreased by € 0.1 million and are in line with prior year.

There is no ageing problem for the financial assets other than trade receivables.

The value for losses was determined as of 1 January 2018, in accordance with IFRS 9, we refer to note 25.

## 16. Cash and cash equivalents

| IN '000 €  | 2018          | 2019          |
|--|---------------|---------------|
| Cash at bank and in hand   | 65 381        | 72 473        |
| <b>TOTAL</b>   | <b>65 381</b> | <b>72 473</b> |
| Bank overdrafts considered as cash and cash equivalents in the cash flow statement | -36           | -115          |
| <b>CASH AND CASH EQUIVALENTS</b>   | <b>65 345</b> | <b>72 358</b> |

There are no significant unavailable cash and cash equivalents.

## 17. Assets classified as held for sale

| IN '000 €   | 2018         | 2019         |
|---|--------------|--------------|
| <b>BALANCE AT END OF PREVIOUS PERIOD</b>            | 2 670        | 6 991        |
| Transfer from/to assets classified as held for sale | 4 422        |              |
| Sales and disposals                                 |              | -4 430       |
| Effect of exchange rate fluctuations                | -102         | 174          |
| Others  |              | -968         |
| <b>BALANCE AT END OF CURRENT PERIOD</b>             | <b>6 991</b> | <b>1 767</b> |

The assets held for sale decreased by € 5.2 million during 2019. This decrease is related to the sale of the offices in the complex in 's-Hertogenbosch in the Netherlands (€ 4.2 million) and the sale of the property in Kamloops in Canada (€ 0.3 million).

At the time of the acquisition of Landmark Cinemas at the end of 2017, two complexes were classified as assets held for sale: Fort McMurray and Weyburn. The complex in Weyburn was closed before the end of 2017 for economic reasons, and had already been put up for sale on the market. In the meantime, it was decided to demolish the building in the first quarter of 2020 and only sell the land. As a result, the building has been impaired for an amount of € 0.2 million in 2019 and a net book value of the land

remains of € 0.1 million. With regard to the complex in Fort McMurray, the Group has built a new, larger complex in the vicinity of the current complex. The old complex was offered for sale after the opening of the new complex in August 2018. During 2019, an impairment of € 0.7 million was recorded on this complex, resulting in a net book value of € 1.7 million, which is in line with the external valuation. The Group is taking concrete actions to sell these assets, and expects them to be sold within the year.

The decrease was partially offset by an effect of exchange rate fluctuations on Canadian assets held for sale (€ 0.2 million).

## 18. Equity

The various components of equity, as well as the changes between 31 December 2019 and 31 December 2018, are set out in the consolidated statement of changes in equity.

### SHARE CAPITAL

The share capital of the Company at 31 December 2019 was € 19.0 million (2018: € 19.0 million), represented by 27 365 197 ordinary shares without nominal value (2018: 27 365 197 shares). All shares are paid up in full. The share premium at 31 December 2019 was € 1.2 million (2018: € 1.2 million). The ordinary shares are entitled to a dividend, and the holders of these shares are entitled to cast one vote at the shareholder meeting of the Company.

### TREASURY SHARES RESERVE

The Extraordinary General Meeting of 11 May 2016 authorised the Board of Directors to buy back 410 958 shares of the company to cover the new options to be issued. Under the 2016 Share Option Plan, the Board of Directors decided on 22 December 2017 to buy back up to 360 000 shares through the grant of a discretionary mandate to an agent, either on the stock exchange or outside of it, between 15 January 2018 and 30 September 2018, whereby block trades can be considered as well during open periods.

The share buyback program, which started on 15 January 2018, was terminated on Tuesday, 12 June 2018. As part of the discontinued share buyback program, Kinopolis Group has bought back 360 000 shares for a total amount of € 20 302 894.16. The total number of treasury shares on 31 December 2019 amounts to 492 346 (2018: 492 346). These shares will be used for the current 2016 option plan.

Furthermore, no treasury shares were sold in 2019 due to exercise of options (2018: 0 shares - € 0.0 million) and no shares were canceled (2018: 0 shares - € 0.0 million).

### HEDGING RESERVE

The hedging reserve contains the effective portion of the cumulative net change in the fair value of the cash flow hedges for which the hedged future transaction has not yet occurred.

### TRANSLATION DIFFERENCES

The translation differences include all exchange rate differences resulting from the translation of the financial statements of foreign entities. The increase in 2019 is mainly due to the exchange rate fluctuation of the Canadian Dollar against the Euro. This is partly compensated by the translation differences since the integration into the consolidation of the American subsidiaries and the related exchange rate fluctuation of the American Dollar against the Euro. In addition, some non-current loans with Switzerland, Poland, Canada and the United States are considered as a net investment hedge for the participating interest in the same subsidiaries. Consequently, the translation differences on these loans were included in equity under the other comprehensive income.

### SHARE-BASED PAYMENTS RESERVE

A total of 438 000 options were allocated on 31 December 2019 (2018: 420 000 options). These shares entitle their holders to one share per option (we refer to note 20). The options will expire eight years after the date of the approval of the plan by the General Meeting, which is 11 May 2024.

## DIVIDENDS TO SHAREHOLDERS

In view of the impact of the Covid-19 virus on the business operations and the potentially serious impact on the financial results for the first half of 2020, the Board of Directors proposes to the General Meeting not to distribute a dividend and to transfer the profit to 'Retained earnings'.

## NON-CONTROLLING INTERESTS

The participation of Kinopolis Group in Landmark Cinemas Holding, and consequently in Landmark Cinemas Canada, has fallen from 100% to 99.02% since July 2018. This decrease is explained by the co-investment rights received by two members of the management of Landmark Cinemas.

# 19. Earnings per share

## BASIC EARNINGS PER SHARE

The calculation of the profit per share is based on the profit of € 54.4 million, attributable to the ordinary shareholders (2018: € 47.4 million), and on a weighted average of the number of ordinary shares outstanding during the financial year, of 26 872 851 (2018: 26 936 217).

## DILUTED EARNINGS PER SHARE

The calculation of the diluted earnings per share is based on the profit of € 54.4 million attributable to the ordinary shareholders (2018: € 47.4 million) and on a weighted average of the number of diluted ordinary shares outstanding during the financial year of 27 084 005 (2018: 27 010 648).

| IN '000 (unless indicated otherwise)                | 2018          | 2019          |
|---|---------------|---------------|
| <b>PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY</b> | <b>47 356</b> | <b>54 352</b> |
| Weighted average number of ordinary shares          | 26 936        | 26 873        |
| Effect of options                                   | 74            | 211           |
| Weighted average number of diluted shares           | 27 011        | 27 084        |
| <b>BASIC EARNINGS PER SHARE (IN €)</b>              | <b>1.76</b>   | <b>2.02</b>   |
| <b>DILUTED EARNINGS PER SHARE (IN €)</b>            | <b>1.75</b>   | <b>2.01</b>   |

# 20. Share-based payments

## SHARE OPTION PLAN

The General Meeting approved a share option plan on 11 May 2016, 543 304 options can be allocated under this share option plan.

It was decided to set the exercise price at the average closing price of the Kinopolis share over 30 days preceding the offer. The options will expire eight years after the date of the approval of the plan by the General Meeting.

This new share option plan was offered to the Chairman of the Board of Directors, Executive Management and eligible management staff of the Company or its subsidiaries on 29 December 2016.

As at 28 February 2017, a total of 396 500 options were allocated. On 31 December 2017, a total of 23 500 options were offered to the executive management of Landmark Cinemas. These were granted in full on 5 January 2018. Throughout 2019, 21 000 options were granted and no options were exercised (2018: 0).

The fair value of these share-based payments was estimated when these options were allocated. The Black-Scholes model is used for this.

The expected volatility is based on the historic volatility calculated on the basis of five years.

For more information, we refer to note 5.

| AMOUNTS IN € (unless indicated otherwise) | 12/2016 <sup>(1)</sup> | 12/2017 | 04/2019 | 10/2019 |
|---|------------------------|---------|---------|---------|
| Fair value of allocated options           | 7.30 / 9.71            | 12.91   | 8.87    | 9.98    |
| Share price at grant date                 | 44.19 / 48.29          | 57.30   | 51.30   | 57.80   |
| Exercise price                            | 41.55                  | 48.25   | 49.75   | 53.40   |
| Expected volatility                       | 23.43% / 23.53%        | 25.45%  | 26.41%  | 24.81%  |
| Original expected term (in years)         | 8                      | 7       | 6       | 5       |
| Expected dividend growth                  | 7.86%                  | 7.86%   | 8.30%   | 8.30%   |
| Risk-free interest rate                   | -0.14%                 | 0.01%   | -0.179% | -0.443% |

(1) Due to the evolution of the share price during the period of acceptance, two fair values were calculated for the allocated options, based on above listed parameters.

The options are exercisable for the first time during the first exercise period that falls in the fourth calendar year after the year in which the options were offered to the participants. The options only become unconditional once the other party has been employed for a certain period.

The options granted in 2017 can be permanently acquired in tranches. The first tranche of 16.66% was acquired at the time of their granting. The other tranches of 16.66% per year during the five years after their grant date. The options granted in

2018 can be permanently acquired in tranches. The first tranche of 20% was acquired at the time of their granting. The other tranches of 20% per year during the four years after their grant date. The options granted in 2019 can be permanently acquired in tranches. These tranches are different between the grants in April and October. The first tranche of 16.66% / 25% was acquired at the time of their granting. The other tranches of 16.66% / 25% per year during five / three years after their grant date.

| AMOUNTS IN € (unless indicated otherwise)     | 2018              |                                 | 2019              |                                 |
|---|-------------------|---------------------------------|-------------------|---------------------------------|
|   | NUMBER OF OPTIONS | WEIGHTED AVERAGE EXERCISE PRICE | NUMBER OF OPTIONS | WEIGHTED AVERAGE EXERCISE PRICE |
| OUTSTANDING OPTIONS AT END OF PREVIOUS PERIOD | 396 500           |                                 | 417 000           |                                 |
| Options allocated during the year             | 23 500            | 12.91                           | 21 000            | 9.40                            |
| Options exercised during the year             |                   |                                 |                   |                                 |
| Options forfeited during the year             | -3 000            |                                 |                   |                                 |
| OUTSTANDING OPTIONS AT END OF CURRENT PERIOD  | 417 000           | 9.34                            | 438 000           | 9.34                            |

## 21. Loans and borrowings

This note provides information on the Group's interest-bearing loans and borrowings. For further information on

these loans and borrowings and the Group's exposure to interest and foreign currency risks, we refer to note 25.

### NON-CURRENT LOANS AND BORROWINGS

| IN '000 €                                     | 2018           | 2019           |
|---|----------------|----------------|
| Private placement of bonds                    | 221 000        | 446 000        |
| Public bond                                   | 15 878         | 15 878         |
| Loans and borrowings with credit institutions | 30 355         | 20 256         |
| Leasing and similar liabilities               | 6 820          |                |
| Transaction costs refinancing                 | -1 376         | -2 621         |
| <b>TOTAL</b>                                  | <b>272 677</b> | <b>479 513</b> |

### CURRENT LOANS AND BORROWINGS

| IN '000 €                                     | 2018          | 2019          |
|---|---------------|---------------|
| Public bond                                   | 59 122        |               |
| Leasing and similar liabilities               | 570           |               |
| Loans and borrowings with credit institutions | 10 098        | 10 099        |
| <b>TOTAL</b>                                  | <b>69 790</b> | <b>10 099</b> |

Kinepolis Group issued a € 75.0 million bond in March 2012, with maturity in March 2019. The bond was partially extended until June 2023 in June 2015. In March 2019, € 59.1 million was repaid, and, as of 31 December 2019, the remaining outstanding debt is € 15.9 million.

In January 2015, the Group concluded a private placement of bonds with institutional investors for an amount of € 96.0 million. € 61.4 million was placed with a term of 7 years, € 34.6 million with a term of 10 years, both at a fixed interest rate.

In December 2017, the Group concluded a private placement of bonds with institutional investors for € 125.0 million. € 60.0 million was placed with a term of 8 years and € 65.0 million with a term of 10 years, both at a fixed interest rate.

In July 2019, the Group concluded a private placement of bonds with institutional investors for an amount of € 225.0 million. The full amount was placed with a term of 7.5 years and a fixed interest rate.

A credit agreement for a roll-over credit was concluded in 2012. This credit agreement was revised and extended in December 2019. As of 31 December 2019, there is no outstanding draw on the roll-over credit. In addition, this credit facility was extended in December 2015, following the Utopolis acquisition, with a 7-year term loan with annual repayments. In 2017, the credit facility was extended once again with a 5-year term loan with annual repayments. On 31 December 2019, € 30.4 million of the term loans were outstanding (2018: € 40.5 million). For more information, we refer to note 25.

The transaction costs are recognised in the result over the term of the financing. The amount not taken into the result is deducted from the interest-bearing loans; at the end of 2019 this amounts to € 2.6 million (2018: € 1.4 million).

The Group applied the new standard IFRS 16: Leases for the first time on 1 January 2019. As a result, as of 1 January 2019, a reclassification of the finance lease (€ 7.4 million) to Lease liabilities took place, which were previously included in Loans and borrowings. For more information, we refer to note 26.

## RECONCILIATION BETWEEN THE MOVEMENT OF THE FINANCIAL LIABILITIES AND THE CONSOLIDATED CASH FLOW STATEMENT

| IN '000 €   | NOTE | FINANCIAL LIABILITIES |                           |                   | EQUITY                       |                   |                           | TOTAL            |
|---|------|-----------------------|---------------------------|-------------------|------------------------------|-------------------|---------------------------|------------------|
|   |      | LOANS AND BORROWINGS  | FINANCE LEASE OBLIGATIONS | LEASE LIABILITIES | SHARE-BASED PAYMENTS RESERVE | RETAINED EARNINGS | NON-CONTROLLING INTERESTS |                  |
| <b>BALANCE AT 31/12/2018</b>  |      | <b>335 077</b>        | <b>7 390</b>              |                   | <b>-22 830</b>               | <b>181 872</b>    | <b>214</b>                | <b>501 723</b>   |
| Initial application IFRS 16   | 26   |                       | -7 390                    | 315 491           |                              |                   |                           | 308 102          |
| <b>BALANCE AT 01/01/2019</b>  |      | <b>335 077</b>        |                           | <b>315 491</b>    | <b>-22 830</b>               | <b>181 872</b>    | <b>214</b>                | <b>809 825</b>   |
| <b>Cash flow from financing activities</b>                          |      |                       |                           |                   |                              |                   |                           |                  |
| Investment contributions  | 26   |                       |                           | 3 388             |                              |                   |                           | 3 388            |
| Repayment of lease liabilities                                      | 26   |                       |                           | -20 918           |                              |                   |                           | -20 918          |
| New loans and borrowings  | 25   | 225 000               |                           |                   |                              |                   |                           | 225 000          |
| Repayment of loans and borrowings                                   | 25   | -69 221               |                           |                   |                              |                   |                           | -69 221          |
| Payment of transaction costs with regard to refinancing obligations | 25   | -1 663                |                           |                   |                              |                   |                           | -1 663           |
| Interest paid   | 7    | -12 941               |                           |                   |                              |                   |                           | -12 941          |
| Interest received   | 7    |                       |                           |                   |                              | 59                |                           | 59               |
| Interest paid on lease liabilities                                  | 26   |                       |                           | -9 387            |                              |                   |                           | -9 387           |
| Dividends paid  | 18   |                       |                           |                   |                              | -24 723           |                           | -24 723          |
| <b>NET CASH FLOW - USED IN / + FROM FINANCING ACTIVITIES</b>        |      | <b>141 175</b>        |                           | <b>-26 917</b>    |                              | <b>-24 664</b>    |                           | <b>89 594</b>    |
| <b>Other adjustments</b>  |      |                       |                           |                   |                              |                   |                           |                  |
| Interest expenses   | 7    | 10 609                |                           |                   |                              |                   |                           | 10 609           |
| Refinancing cost  | 25   | 418                   |                           |                   |                              |                   |                           | 418              |
| Capitalised interest costs  | 7    | 217                   |                           |                   |                              |                   |                           | 217              |
| Movement accrued interest 2019                                      | 25   | 2 116                 |                           |                   |                              |                   |                           | 2 116            |
| Movement lease liabilities  | 26   |                       |                           | 127 569           |                              |                   |                           | 127 569          |
| <b>Total other adjustments</b>                                      |      | <b>13 360</b>         |                           | <b>127 569</b>    |                              |                   |                           | <b>140 929</b>   |
| <b>Total other equity adjustments</b>                               |      |                       |                           |                   |                              | <b>53 777</b>     | <b>67</b>                 | <b>53 844</b>    |
| <b>BALANCE AT 31/12/2019</b>  |      | <b>489 612</b>        |                           | <b>416 143</b>    | <b>-22 830</b>               | <b>210 985</b>    | <b>281</b>                | <b>1 094 192</b> |

## 22. Provisions

The provisions primarily consist of the restoration of land, transformation expenses and a number of disputes.

### UNFAVOURABLE LEASES

A provision was recognised with regard to the unfavourable lease on the Utopolis cinema complex in Almere (NL) when Utopolis was acquired. At 31 December 2018, the provision was € 4.4 million. At the time of the acquisition of Landmark Cinemas, a provision was recognised with regard to the unfavourable lease contracts of the cinema complexes in Edmonton, Kingston, West Kelowna and Kitchener (CA). At 31 December 2018, the provision was € 1.7 million. Additionally, the leasehold inducements were recognised as a provision for unfavourable leases. This provision amounted to € 8.1 million on 31 December 2018. The Group applied the new standard IFRS 16: Leases for the first time on 1 January 2019. As a result, as of 1 January 2019, a reclassification of the provisions for unfavourable leases took place. These were previously recognised in Provisions and decreased Right-of-use assets on 1 January 2019 by € 14.2 million. For more information, we refer to note 26.

### SITE RESTORATION

The lease on the Brussels (BE) cinema complex on the land owned by the City of Brussels ends in 2025. The Company has a contractual obligation to restore the land to its original state.

At 31 December 2019, the provision for the demolition of the building and the reinstatement of the land to its original state was € 1.3 million (2018: € 1.3 million).

### DISPUTES

At 31 December 2019, the provision for disputes was € 1.5 million (2018: € 1.0 million). These relate to disputes regarding personnel matters and disputes from third parties for the purpose of obtaining compensation. When these provisions will be used or taken back depends on the outcome of the related legal disputes, and is therefore uncertain. The estimates and judgements that primarily impact the amount of the provisions are the estimated costs, the expected likelihood and the timing of the cash outflows. They are based on the most recent available information at the balance sheet date.

| IN '000 €                                      | 2018          | 2019         |
|--|---------------|--------------|
| <b>BALANCE AT END OF PREVIOUS PERIOD</b>       | 19 627        | 16 806       |
| Additions of provisions                        | 210           | 497          |
| Discounting of provisions                      | 38            | 38           |
| Use of provisions                              | -1 714        | -193         |
| Reversal of provisions                         | -880          | -94          |
| Effect of exchange rate fluctuations           | -474          | 15           |
| Transfer to Right-of-use assets                |               | -14 236      |
| <b>BALANCE AT END OF CURRENT PERIOD</b>        | <b>16 806</b> | <b>2 833</b> |
| Balance at end of current period (non-current) | 14 565        | 2 284        |
| Balance at end of current period (current)     | 2 241         | 549          |
| <b>TOTAL</b>                                   | <b>16 806</b> | <b>2 833</b> |

## 23. Trade and other payables

### NON-CURRENT OTHER PAYABLES

| IN '000 €                        | 2018          | 2019         |
|----------------------------------|---------------|--------------|
| Deferred government grants - CNC | 6 735         | 6 028        |
| Leasehold inducements Canada     | 3 252         |              |
| Other payables                   | 990           | 911          |
| <b>TOTAL</b>                     | <b>10 977</b> | <b>6 939</b> |

The non-current other payables primarily comprise the government grants that can be claimed from the CNC in France based on the number of visitors. These government grants of € 6.0 million (2018: € 6.7 million) are recognised as other operating income in line with the depreciation of the assets for which these grants were obtained.

At the end of 2018, there was an outstanding payable due to leasehold inducements for the leased buildings in Canada (€ 3.3 million). The Group applied the new standard IFRS 16: Leases for the first time on 1 January 2019. As a result, as of 1 January 2019, a reclassification of the leasehold inducements Canada took place. These were previously recognised in Non-current other payables and decreased Right-of-use assets on 1 January 2019 by € 3.3 million. For more information, we refer to note 26.

## CURRENT TRADE AND OTHER PAYABLES

| IN '000 €                           | 2018           | 2019           |
|-------------------------------------|----------------|----------------|
| Trade payables                      | 83 461         | 108 912        |
| Employee benefits liabilities       | 11 539         | 13 243         |
| Accrued charges and deferred income | 5 498          | 3 362          |
| Tax payables, other than income tax | 5 244          | 6 614          |
| Other payables                      | 586            | 609            |
| <b>TOTAL</b>                        | <b>106 328</b> | <b>132 740</b> |

Trade payables increased by € 25.5 million, mainly related to increased activity as of 31 December 2019 compared to last year and due to the expansion of MJR Digital Cinemas (USA), El Punt (ES) and Arcaplex (NL).

On 31 December 2019, the accrued interest expenses related to the public and private bonds issued were € 3.2 million (2018: € 5.4 million). The deferred income was € 0.1 million (2018: € 0.1 million).

On 31 December 2018, there was an outstanding debt due to leasehold inducements for the leased buildings in Canada (€ 0.3 million). As of 1 January 2019, the Group applies the new standard IFRS 16: Leases. As a result, as of 1 January 2019, a reclassification of Canada's leasehold inducements has taken place. These were previously included in Current other payables and reduced Right-of-use assets on 1 January 2019 by € 0.3 million. For more information, we refer to note 26.

## 24. Current tax assets and liabilities

| IN '000 €             | 2018  | 2019  |
|-----------------------|-------|-------|
| Current tax assets    | 2 416 | 1 303 |
| Current tax liability | 5 337 | 2 574 |

The current tax assets amount to € 1.3 million (2018: € 2.4 million). Current tax assets consist of prepayments as well as an obtained investment deduction in the Netherlands (€ 0.6 million), prepayments in Spain (€ 0.3 million) and disputed tax assets in France (€ 0.8 million), partially offset by the tax liability in France of 2019 (€ -0.4 million).

Current tax liabilities decreased from € 5.3 million to € 2.6 million mainly due to higher advance payments compared to last year, mainly in Belgium and Luxembourg.

## 25. Risk management and financial instruments

### RISK MANAGEMENT

#### FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments are bank loans, private and public bonds, lease liabilities and cash.

The Group has various other financial instruments, such as trade and other receivables and payables, which arise directly from its operations.

The Group also enters into derivative financial instruments, primarily forward rate agreements, interest rate swaps and foreign exchange forwards. The purpose is to manage the interest rate risks and foreign currency risks arising from the Group's activities and its sources of financing.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. It is Group policy to negotiate the terms

of the derivative financial instruments to match the terms of the hedged item, so as to maximise hedge effectiveness.

It is Group policy not to undertake any trading positions in derivative financial instruments.

The Board of Directors investigates and approves policies for managing each of these risks. These policies are summarised below. The accounting treatment of the derivative financial instruments is included in the accounting policies.

#### INTEREST RATE RISK

The Group's exposure to market risk arising from changes in interest rates primarily relates to the Group's current and non-current loans and borrowings.

Group policy is to manage interest rate expenses with a mixture of fixed and variable interest rate liabilities. To manage this mix in a cost-efficient manner, the Group can enter into certain transactions:

- Interest rate swaps and forward contracts in which the Group agrees to exchange, at specified intervals, the difference between the fixed and variable interest amounts, calculated by reference to a pre-agreed principal amount;
- Interest rate derivatives with fixed ceilings, hence limiting the impact of interest rate fluctuations.

The Group pursues a conservative financial policy and, since 2008, only uses derivative financial instruments to hedge the interest rate risk. At the balance sheet date, the Group had only interest rate swaps outstanding, on which the Group receives a variable interest rate equal to EURIBOR and pays a fixed interest rate. These swaps are used to cover the variability in the cash flows of the underlying loans. These interest rate swaps are classified as cash flow hedges in accordance with IFRS 9 hedge accounting. The effective portion of the change in fair value of the interest rate swap, which can be considered to be an effective hedge, is therefore recognised directly in equity. The total changes in the fair value of the interest rate swaps before deferred tax and recognised in equity gives rise to a € 0.0 million increase in equity on 31 December 2019 (2018: € 0.0 million).

On 31 December 2019, taking into account the effect of interest rate swaps, 97.45% of the Group's borrowings had been contracted at a fixed interest rate (2018: 95.14%).

#### INTEREST RATE RISK SENSITIVITY ANALYSIS

The interest-bearing loans at the balance sheet date were € 489.6 million (2018: € 342.5 million). € 30.4 million or 6.2% of the interest-bearing loans have a variable interest rate, without taking into account the effect of the interest rate swaps (2018: € 40.5 million or 11.8%).

Total interest expenses, excluding interest expenses on lease liabilities, charged to the income statement in 2019 amount to € 11.0 million (2018: € 10.4 million).

The loan of € 41.6 million with variable interest was fixed with an interest rate swap at the beginning of 2016. The outstanding balance at the end of 2019 was € 17.8 million (2018: € 23.7 million).

#### FOREIGN CURRENCY RISK

The Group has a foreign currency risk on positions that derive from sales or purchases and from outstanding borrowings with Group companies in currencies other than the functional currency (Euro) (transactional risk).

#### SENSITIVITY ANALYSIS FOR FOREIGN CURRENCY RISK

| 1 EURO CORRESPONDS TO: | CLOSING RATE 31/12/2019 | AVERAGE RATE 2019 | THEORETICAL VOLATILITY | POSSIBLE CLOSING RATE 31/12/2019 | POSSIBLE AVERAGE RATE 2019 |
|------------------------|-------------------------|-------------------|------------------------|----------------------------------|----------------------------|
| Canadian Dollar        | 1.4598                  | 1.4855            | 10%                    | 1.31 - 1.61                      | 1.34 - 1.63                |
| US Dollar              | 1.1234                  | 1.1195            | 10%                    | 1.01 - 1.24                      | 1.01 - 1.23                |
| Polish Zloty           | 4.2585                  | 4.2976            | 10%                    | 3.83 - 4.68                      | 3.87 - 4.73                |
| Swiss Franc            | 1.0854                  | 1.1124            | 10%                    | 0.98 - 1.19                      | 1.00 - 1.22                |

Group policy is focused on minimising the impact of exchange rate fluctuations on profit or loss.

Derivative instruments can be used at any time to hedge this risk.

Up to the moment of the acquisition of Landmark Cinemas in Canada in 2017 and the acquisition of MJR Digital Cinemas in the United States in 2019, the sales of the Group companies in currencies other than the functional currency were limited. The purchases of the subsidiaries of the Group mainly concern the purchases of materials by the Group in US and Canadian Dollar. On 31 December 2019, the Group had no outstanding forward exchange contracts (2018: \$ 0.0 million) with the intention of hedging this risk.

Loans between Kinopolis Financial Services NV or Kinopolis Group NV and other Group companies are expressed in the currency of the latter. Foreign exchange results regarding the non-current loans in Canadian Dollar, US Dollar, Swiss Franc and Polish Zloty from Kinopolis Financial Services NV to Kinopolis Canada LTD, Kinopolis Schweiz AG and Kinopolis Poznań Sp.z o.o, as well as from Kinopolis Group NV to Kinopolis US Inc are recognised in other comprehensive income, as these loans are considered to be part of the Group's net investment in these foreign entities. The following foreign exchange rate results were recorded directly in equity, before tax:

| IN '000 €       | 2018       | 2019         |
|-----------------|------------|--------------|
| Canadian Dollar | 506        | 3 303        |
| US Dollar       |            | -1 891       |
| Polish Zloty    | -1 353     | -1 278       |
| Swiss Franc     | 1 044      | 1 460        |
| <b>TOTAL</b>    | <b>197</b> | <b>1 594</b> |

The Group is also exposed to a foreign currency risk due to the inclusion in the consolidation of foreign companies that do not have the Euro as their functional currency (Canada, United States, Switzerland and Poland). This translation risk is not hedged. Only the Canadian Dollar, and, since 2019, also the US Dollar, have a material effect.

The table below states the possible exchange rate changes for the Canadian Dollar, US Dollar, Polish Zloty and Swiss Franc against the Euro, estimated on the basis of theoretical volatility. The theoretical volatility has been determined based on the evolution of the exchange rates over the past 5 years, and this for all foreign currencies.



If, at the balance sheet date, the Canadian Dollar, the US Dollar, the Polish Zloty and the Swiss Franc had strengthened/weakened as indicated above, and all other variables being constant, the profit would have been € 0.8 million lower (2018: € 0.6 million lower at 10% theoretical volatility) or € 0.6 million higher (2018: € 0.5 million higher at 10% theoretical volatility), and equity would be € 16.1 million higher at the end of 2019 or € 13.2 million lower (2018: € 6.6 million higher or € 5.4 million lower at 10% theoretical volatility). Only the Canadian Dollar and the US Dollar have a material impact in the above sensitivity analysis.

### CREDIT RISK

The credit risk with respect to trade receivables is the risk of financial loss to which the Group is exposed if a customer fails to meet his/her contractual obligations. IFRS 9, which is effective for annual periods beginning on or after 1 January 2018, replaces the model based on 'incurred losses' under IAS 39 by means of a model based on 'expected credit losses'. This requires considerable judgement concerning the impact of changes to economic factors in 'expected credit losses'.

Under IFRS 9, loss allowances will be determined on the following basis:

- *The 12-month expected credit losses:* these are expected credit losses that result from possible default events that take place within 12 months after the end of the reporting date;
- *Expected credit losses over the full life cycle:* these are expected credit losses that result from possible default events over the expected life of a financial instrument.

The determination on the basis of expected credit losses over the full life cycle always applies to trade receivables and contract assets without a significant financing component.

In order to assess the materiality of the provision for impairments losses, Kinopolis conducted an analysis over a five-year period (2015-2019). The Group recognised an average of 0.01% (2013-2018: 0.01%) compared to total revenue, which is considered to be immaterial. The majority of the activities of the Group are cash-based transactions. It is Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the receivable balance is monitored on an ongoing basis. Based on the above analysis, the Group decided that the impact of the model based on expected credit losses over the full life cycle of Kinopolis Group is immaterial.

With regard to credit risk from the other financial assets of the Group, including cash and cash equivalents, financial assets measured at fair value through other comprehensive income and certain derivative financial instruments, the Group's exposure to credit risk consists of the counterparty default risk, with a maximum exposure equal to the carrying amount of these instruments.

There are no significant concentrations of credit risk within the Group. The Group has no clients that account for more than 10% of revenue.

### LIQUIDITY RISK

The Group's goal is to ensure that there is sufficient financing for the long term. The financing need is determined on the basis of the strategic long-term plan. Various credit forms are used to guarantee the continuity and flexibility of the financing, including bonds, credit lines and bank loans. The Group's liquidity is managed through the in-house bank, Kinopolis Financial Services NV. The Group's financing objective is to align the term of its credit lines with the timing of the assumed liabilities relating to the expansion.

### CAPITAL MANAGEMENT

Board of Directors' policy is aimed at maintaining a strong capital position in order to retain the confidence of investors, lenders and markets and to safeguard the future development of the business activities. The Board of Directors monitors the return on equity, which is defined by the Group as the operating profit divided by equity, excluding non-controlling interests. The Board of Directors also monitors the level of the dividend payable to the shareholders.

The Board of Directors seeks a balance between the higher return that is potentially available with a higher level of borrowing on the one hand, and the benefits and security of a solid equity position on the other. In seeking this balance, the Board of Directors' objective is to achieve the pre-defined level of the net financial debt with regard to EBITDA, and net financial debt with regard to equity ratios.

The Board of Directors believed that the ratios of net financial debt to equity and net financial debt to EBITDA were at risk of becoming too low as from mid 2010, and therefore proposed to the General Meeting the reduction of share capital and the buyback and destruction of treasury shares with the aim of improving these ratios, and thereby create shareholder value. After approval by the Extraordinary General Meeting of 20 May 2011, the capital was therefore reduced by € 30.0 million and shares were bought back between 2011 and 2015, for the hedging of options on the one hand, and for cancellation on the other, which has taken place in the meantime. The expansion strategy of Kinopolis Group was started in 2014 and, due to the success of this expansion program, the capital optimisation program was stopped in 2015. The Group also continues to strive for a combination of a higher-than-average market return with a lower-than-average risk through the combination of its strategic pillars with an expansion strategy based on improvement potential, and a cautious financial policy with regard to the debt ratio, taking the real estate position of the Group into account.

Kinopolis Group bought 360 000 shares for a total amount of € 20 302 894.16 in 2018. The total number of treasury shares on 31 December 2018 amounts to 492 346. These shares are intended to cover the Group's current stock option plan. The Group held 492 346 treasury shares at the end of 2019. No shares were bought back in 2019.

## FINANCIAL INSTRUMENTS

### DEBT PORTFOLIO

On 15 February 2012, within the framework of the refinancing of its existing syndicated credit and the financing of the further general development of the Group, Kinopolis Group NV signed a € 90.0 million credit agreement with ING Belgium, KBC Bank and BNP Paribas Fortis until 31 March 2017 (roll-over credit). At the end of June 2015, this existing credit facility was renewed with the bank consortium for the full term until the end of June 2020. In May 2016, the term of the existing credit agreement for € 90.0 million was extended by one year, to June 2021. In December 2019, the existing credit agreement for the roll-over credit was revised and extended. Belfius was added to the existing banking consortium, and the roll-over credit was expanded from € 90.0 million to € 120.0 million. Of this, € 30.0 million can be drawn in a currency other than Euro. In addition, the term was extended to December 2024, with a possible additional two-year extension option to December 2026. On 31 December 2019, there is no open drawing on this credit facility.

In addition, this credit facility was extended in December 2015, following the Utopolis acquisition, with a 7-year term loan with annual repayments. In 2017, the credit facility was extended once again, with a 5-year term loan with annual repayments. On 31 December 2019, € 30.4 million of the term loans were outstanding (2018: € 40.5 million).

On 6 March 2012, the Group issued an unsubordinated bond in Belgium for € 75.0 million. The bonds mature in seven years, and have a fixed annual gross interest of 4.75%. On 12 May 2015, Kinopolis Group NV announced the launch of an unconditional public exchange offer on all outstanding € 75.0 million fixed interest bonds with a gross interest of 4.75% and a maturity date on 6 March 2019. Holders of the existing bonds had the opportunity to exchange their existing bonds for new bonds to be issued by Kinopolis Group NV with a nominal value of € 1 000, a gross nominal interest of 4.0% per year and a term of 8 years, with maturity date on 9 June 2023 (the 'New Bonds'). Bonds with a total value of € 15.9 million were exchanged. € 59.1 million was repaid on 6 March 2019.

In January 2015, the Group also concluded a private placement of bonds with institutional investors for € 96.0 million: € 61.4 million was placed with a term of 7 years, € 34.6 million with a term of 10 years. A fixed annual gross interest is paid on both bonds. This private placement complies with the Group's financial strategy and serves to support expansion by increasing the diversification of the sources of financing and by refinancing the existing credits.

In December 2017, the Group concluded a private placement of bonds with institutional investors for an amount of € 125.0 million: € 60.0 million was placed with a term of 8 years, and € 65.0 million with a term of 10 years. A fixed annual gross interest is paid on both bonds. This private placement was primarily used to finance the acquisition of Landmark Cinemas in Canada.

In July 2019, the Group concluded a private placement of bonds with institutional investors for € 225.0 million, with a term of 7.5 years. A fixed annual gross interest is paid on the bond. The private placement was mainly used to finance the various acquisitions in 2019, investments in the renovation of existing complexes and the construction of new complexes.

No securities were provided. Only a number of conditions apply with regard to the sale or provision of certain of the Group's assets to a third party as security. The credit agreement includes certain financial covenants. The calculation of the covenants as well as the maximum or minimum values were adjusted during the revision of the credit agreement in 2019. The financial covenants consist of a maximum leverage ratio of 3.75 (2018: 3.5), which temporarily increases to 4.25 in the case of a material acquisition, and a minimum interest coverage ratio of 4.5 (2018: 4.5). The minimum solvency ratio of 20% no longer applies. In addition, there are a number of potentially restrictive commitments that restrict or prohibit certain trading transactions. All these covenants were met in 2019, as they were in 2018. The covenant analysis also shows that there is still sufficient financial room available.

The definitions of the covenants have been adapted to the new standard IFRS 16: Leases. As such, for the determination of the leverage ratio, among other things, the net financial debt is corrected for the lease liabilities on the one hand, and the EBITDA is corrected for the impact of IFRS 16 on the EBITDA on the other.

The interest payable on term loans is calculated on the basis of the EURIBOR applicable for the selected borrowing period, plus the negotiated margin. The average interest rate of the debt portfolio on 31 December 2019 was 2.70% (2018: 2.98%). As the vast majority (more than 95%) of the loans are at a fixed interest rate, no sensitivity analysis was performed for the remaining variable part.

In the context of the acquisition of the Wolff Bioscopen group in 2014, the lease of the complex in Groningen (NL) was renegotiated for a period of 17 years and was classified as a finance lease.

The lease obligation at the start of the new contract was determined by discounting the future rental payments of the Group on the basis of the marginal interest rate of the Group, as the implicit interest rate of the lease was not available. This debt amounted to € 6.8 million on 31 December 2019 (2018: € 7.3 million). The Group applied the new standard IFRS 16: Leases for the first time on 1 January 2019. As a result, as of 1 January 2019, a reclassification of the finance lease to Lease liabilities took place, which were previously included in Loans and borrowings. For more information, we refer to note 26.

## FINANCIAL LIABILITIES – FUTURE CASH FLOWS

The following table gives an overview of the contractual maturities for the financial liabilities at 31 December 2019, including the estimated interest payments:

| IN '000 €                                     | 2019 <sup>(1)</sup> |                |                |                |
|---|---------------------|----------------|----------------|----------------|
|   | < 1 YEAR            | 1-5 YEARS      | > 5 YEARS      | TOTAL          |
| Private placement of bonds                    | 12 256              | 107 109        | 405 156        | 524 521        |
| Bond  | 635                 | 17 783         |                | 18 418         |
| Trade payables                                | 108 912             |                |                | 108 912        |
| Loans and borrowings with credit institutions | 10 481              | 20 632         |                | 31 113         |
| Bank overdrafts                               | 115                 |                |                | 115            |
| <b>Non-derivative financial liabilities</b>   | <b>132 399</b>      | <b>145 524</b> | <b>405 156</b> | <b>683 079</b> |
| Interest rate swaps                           |                     | 169            |                | 169            |
| <b>Derivative financial instruments</b>       |                     | <b>169</b>     |                | <b>169</b>     |
| <b>TOTAL</b>                                  | <b>132 399</b>      | <b>145 693</b> | <b>405 156</b> | <b>683 248</b> |

(1) In accordance with IFRS 7, the lease liabilities are no longer stated here.

| IN '000 €                                     | 2018           |                |                |                |
|---|----------------|----------------|----------------|----------------|
|   | < 1 YEAR       | 1-5 YEARS      | > 5 YEARS      | TOTAL          |
| Private placement of bonds                    | 6 069          | 84 016         | 172 191        | 262 276        |
| Bond  | 62 565         | 18 418         |                | 80 984         |
| Trade payables                                | 83 461         |                |                | 83 461         |
| Loans and borrowings with credit institutions | 10 600         | 31 106         |                | 41 706         |
| Lease obligation                              | 821            | 2 962          | 5 483          | 9 266          |
| Bank overdrafts                               | 36             |                |                | 36             |
| <b>Non-derivative financial liabilities</b>   | <b>163 552</b> | <b>136 502</b> | <b>177 674</b> | <b>477 729</b> |
| Interest rate swaps                           |                | 211            |                | 211            |
| <b>Derivative financial instruments</b>       |                | <b>211</b>     |                | <b>211</b>     |
| <b>TOTAL</b>                                  | <b>163 552</b> | <b>136 713</b> | <b>177 674</b> | <b>477 940</b> |

In respect of interest-bearing loans and borrowings with a variable interest rate, the following table shows the periods within which they reprice.

| IN '000 €                                     | 2018          |               | 2019          |               |
|---|---------------|---------------|---------------|---------------|
|   | TOTAL         | < 1 YEAR      | TOTAL         | < 1 YEAR      |
| Loans and borrowings with credit institutions | 40 454        | 10 099        | 30 355        | 10 099        |
| Bank overdrafts                               | 36            |               | 115           |               |
| <b>TOTAL</b>                                  | <b>40 490</b> | <b>10 099</b> | <b>30 470</b> | <b>10 099</b> |

## HEDGING ACTIVITIES

The Group uses derivative financial instruments to hedge the interest rate risk and the foreign currency risk. All derivative financial instruments are measured at fair value. The

following table gives the remaining term of the outstanding derivative financial instruments at balance sheet date. The amounts given in this table are the nominal values.

| IN '000 €           | 2019         |               |           |               |
|---------------------|--------------|---------------|-----------|---------------|
|                     | < 1 YEAR     | 1-5 YEARS     | > 5 YEARS | TOTAL         |
| Interest rate swaps | 5 949        | 11 856        |           | 17 805        |
| <b>TOTAL</b>        | <b>5 949</b> | <b>11 856</b> |           | <b>17 805</b> |

| IN '000 €           | 2018         |               |           |               |
|---------------------|--------------|---------------|-----------|---------------|
|                     | < 1 YEAR     | 1-5 YEARS     | > 5 YEARS | TOTAL         |
| Interest rate swaps | 5 949        | 17 805        |           | 23 754        |
| <b>TOTAL</b>        | <b>5 949</b> | <b>17 805</b> |           | <b>23 754</b> |

## FAIR VALUE

The fair value is the amount at which an asset can be traded or a liability settled in an orderly transaction between well-informed, willing parties, following the *arm's length* principle.

The following table discloses the actual fair value and the carrying amount of the main interest-bearing financial loans and borrowings (measured at amortised cost).

| IN '000 €  | 2018            |                | 2019            |                |
|--|-----------------|----------------|-----------------|----------------|
|  | CARRYING AMOUNT | FAIR VALUE     | CARRYING AMOUNT | FAIR VALUE     |
| Private placement of bonds – fixed interest rate       | 221 000         | 224 008        | 446 000         | 452 610        |
| Public bond – fixed interest rate                      | 75 000          | 78 943         | 15 878          | 17 037         |
| Interest-bearing loans – variable interest rate        | 40 454          | 40 454         | 30 355          | 30 355         |
| Lease obligations – fixed interest rate <sup>(1)</sup> | 7 390           | 7 648          |                 |                |
| Bank overdrafts  | 36              | 36             | 115             | 115            |
| Transaction costs refinancing                          | -1 376          | 1 376          | -2 621          | -2 621         |
| <b>TOTAL</b>   | <b>342 504</b>  | <b>349 712</b> | <b>489 727</b>  | <b>497 496</b> |

(1) In accordance with IFRS 7, the fair value of the lease liabilities is no longer stated here.

The fair value of public bond with fixed interest rate (Level 2) was determined by discounting future cash flows based on an interest rate of 2.08% (2018: 0.34% for the portion of the bond with maturity in 2019 and 2.19% for the part of the bond with maturity in 2023).

The fair value of the private bond of 2015 with fixed interest rate (Level 2) was determined by discounting the future cash flows based on an interest rate of 1.96% (2018: 1.77%) for the bond with a term of 7 years, and 2.47% (2018: 2.48%) for the part of the bond with a term of 10 years.

The fair value of the private bond of 2017 with fixed interest rate (Level 2) was determined by discounting the future cash flows based on an interest rate of 1.98% (2018: 2.50%) for the bond with a term of 8 years, and 2.63% (2018: 2.96%) for the part of the bond with a term of 10 years.

The fair value of the private bond of 2019 with fixed interest rate (Level 2) was determined by discounting the future

cash flows based on an interest rate of 2.66% for the bond with a term of 7.5 years.

In order to determine the fair value of the lease liabilities (Level 2) by discounting the future cash flows, an interest rate of 2.68% was used in 2018 for the leased complex in Groningen (NL).

The fair value of the other non-derivative financial assets (loans and receivables) and liabilities (measured at amortised cost) is equal to the carrying amount.

The following table gives the nominal or contractual amounts and the actual fair value of all outstanding derivative financial instruments (cash flow hedging instruments). The nominal or contractual amounts reflect the volume of the derivative financial instruments outstanding at the balance sheet date. As such, they represent the Group's risk on these transactions.

| IN '000 €          | 2018          |             | 2019          |             |
|--------------------|---------------|-------------|---------------|-------------|
|                    | NOMINAL VALUE | FAIR VALUE  | NOMINAL VALUE | FAIR VALUE  |
| Interest rate swap | 23 754        | -211        | 17 805        | -169        |
| <b>TOTAL</b>       | <b>23 754</b> | <b>-211</b> | <b>17 805</b> | <b>-169</b> |

The fair value of financial instruments related to the interest rate is determined by discounting the expected future cash flows, taking account of the current market interest rates and

the interest rate curve for the remaining life of the investment. There were no outstanding foreign exchange forward contracts at 31 December 2019.

The fair value of the derivative instruments is included in the balance sheet of the Group as follows (value before taxes):

| IN '000 €    | 2018   |             |             | 2019   |             |             |
|--------------|--------|-------------|-------------|--------|-------------|-------------|
|              | ASSETS | LIABILITIES | NET VALUE   | ASSETS | LIABILITIES | NET VALUE   |
| Non-current  |        | -211        | -211        |        | -169        | -169        |
| <b>TOTAL</b> |        | <b>-211</b> | <b>-211</b> |        | <b>-169</b> | <b>-169</b> |

The change in the fair value of the derivative financial instruments on the balance sheet is as follows:

| IN '000 €          | NOMINAL VALUE | CARRYING AMOUNT |             | INCLUDED IN THE FOLLOWING LINE ITEM IN THE STATEMENT OF FINANCIAL POSITION | CHANGES IN THE FAIR VALUE OF THE HEDGING INSTRUMENT INCLUDED IN OTHER COMPREHENSIVE INCOME |
|--------------------|---------------|-----------------|-------------|--|--|
|                    |               | ASSETS          | LIABILITIES |  |  |
| Interest rate swap | 17 805        |                 | -169        | Derivative financial instruments   | 42   |

#### FAIR VALUE - HIERARCHY

The following table provides an overview of financial instruments recognised at fair value by the valuation method. The different levels are defined as follows:

- Level 1: quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs that do not refer to any quoted market prices included in Level 1, and that are observable for the asset or the liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset that is, or the liability that is not based on observable market data (unobservable input).

| IN '000 €   | 2017    |             |            | 2018    |             |         | 2019    |         |             |
|---|---------|-------------|------------|---------|-------------|---------|---------|---------|-------------|
|   | LEVEL 1 | LEVEL 2     | LEVEL 3    | LEVEL 1 | LEVEL 2     | LEVEL 3 | LEVEL 1 | LEVEL 2 | LEVEL 3     |
| <b>Cash flow hedging – Currency</b>                 |         |             |            |         |             |         |         |         |             |
| Interest rate swaps                                 |         | -214        |            |         | -211        |         |         |         | -169        |
| <b>Financial liabilities measured at fair value</b> |         |             |            |         |             |         |         |         |             |
| Contingent considerations                           |         |             | 428        |         |             |         |         |         |             |
| <b>TOTAL</b>  |         | <b>-214</b> | <b>428</b> |         | <b>-211</b> |         |         |         | <b>-169</b> |

#### LEVEL 3 FAIR VALUE

There were no contingent considerations on 31 December 2019. On 31 December 2018, the fair value of the contingent considerations was € 1.7 million. The contingent consideration amounting to € 1.7 million related to the acquisition of NH Bioscopen was already paid and is therefore not included in the balance sheet on 31 December 2018, but is still subject to the condition of the receipt of the building permit. The building permit was granted in 2019, and construction started in mid-October 2019.

The cinema is scheduled to open in the fourth quarter of 2020.

#### SENSITIVITY ANALYSIS OF FAIR VALUES AT LEVEL 3

The possible change in the significant unobservable input listed below, in which the other inputs remaining constant, would reasonably have the following effect on the fair value of the contingent consideration at the balance sheet date:

| IN '000 €  | 2018  | 2019 |
|--|-------|------|
| Contingent considerations: NH cinemas: building permit obtained    | 1 700 |      |
| Contingent considerations: NH cinemas: no building permit obtained | 0     |      |

## 26. Leases

### LEASES AS LESSEE

#### OPENING BALANCE AT 1 JANUARY 2019

The Group has chosen to apply the modified retrospective approach, with optional practical expedients on the transition date, with the right-of-use assets equal to the lease liabilities on the transition date.

By considering outstanding balance sheet items per 31 December 2018 with respect to 2019 (for example, advance payments and leasehold inducements) and by making use of the practical solution to use the previous analysis of onerous contracts within the framework of IAS 37 for the transition to IFRS 16, the right-of-use assets will be lower than the lease liabilities.

More specifically, by applying IFRS 16 on 1 January 2019, the Group recognised a lease liability of € 315.5 million and a right-of-use asset of € 298.9 million. The right-of-use amount has been determined after the following reclassifications:

- Advance lease payments, previously included in Other receivables, increased right-of-use assets by € 1.9 million;
- Provisions for onerous contracts, previously included in Provisions, decreased right-of-use assets by € 14.2 million;
- Leasehold inducements, previously included in Other payables, decreased right-of-use assets by € 3.6 million;
- Finance leases, previously included in Property, plant and equipment, increased right-of-use assets by € 6.7 million.

The lease liabilities were increased by the reclassification of the finance lease obligation by € 7.4 million, previously included in Loans and borrowings.

| IN '000 €                          | 2019           |
|------------------------------------|----------------|
| Gross right-of-use assets          | 308 102        |
| <b>Reclassifications:</b>          |                |
| + Finance lease                    | 6 702          |
| + Advance lease payments           | 1 941          |
| - Provisions for onerous contracts | -14 236        |
| - Leasehold inducements            | -3 635         |
| <b>NET RIGHT-OF-USE ASSETS</b>     | <b>298 874</b> |
| Gross lease liabilities            | 308 102        |
| <b>Reclassifications:</b>          |                |
| + Finance lease obligation         | 7 389          |
| <b>NET LEASE LIABILITIES</b>       | <b>315 491</b> |

The above amounts are the opening balances per 1 January 2019.

#### CLOSING BALANCE AT 31 DECEMBER 2019

##### Right-of-use assets

| IN '000 €   | LAND AND BUILDINGS | CARS         | IN-THEATRE SALES | PROJECTION EQUIPMENT | TOTAL          |
|---|--------------------|--------------|------------------|----------------------|----------------|
| Acquisition value   | 288 728            | 2 610        | 833              |                      | 292 171        |
| Transfer of Property, plant and equipment (finance lease) | 6 702              |              |                  |                      | 6 702          |
| <b>NET CARRYING AMOUNT AT 01/01/2019</b>                  | <b>295 431</b>     | <b>2 610</b> | <b>833</b>       |                      | <b>298 874</b> |
| New leases  | 22 038             | 2 123        | 93               | 3 519                | 27 774         |
| Expired leases and disposals                              |                    | -55          |                  |                      | -55            |
| Acquisitions through business combinations                | 72 966             |              |                  |                      | 72 966         |
| Adjustments   | 8 575              | 10           | 40               |                      | 8 625          |
| Depreciations   | -22 701            | -1 290       | -231             | -316                 | -24 539        |
| Effect of exchange rate fluctuations                      | 13 485             |              | 56               | 27                   | 13 568         |
| <b>NET CARRYING AMOUNT AT 31/12/2019</b>                  | <b>389 795</b>     | <b>3 397</b> | <b>790</b>       | <b>3 229</b>         | <b>397 212</b> |

## Lease liabilities

| IN '000 €  | TOTAL          |
|--|----------------|
| Opening balance at 01/01/2019                    | 308 102        |
| Transfer of Loans and borrowings (finance lease) | 7 389          |
| <b>NET CARRYING AMOUNT AT 01/01/2019</b>         | <b>315 491</b> |
| New leases                                       | 23 230         |
| Interest   | 9 387          |
| Repayment  | -30 304        |
| Adjustments                                      | 10 963         |
| Acquisitions through business combinations       | 72 966         |
| Effect of exchange rate fluctuations             | 14 411         |
| <b>NET CARRYING AMOUNT AT 31/12/2019</b>         | <b>416 143</b> |

As of 31 December 2019, the Group has a lease liability of € 416.1 million and a right-of-use asset of € 397.2 million through the application of IFRS 16. During 2019, the lease liabilities increased by € 100.7 million and the right-of-use assets by € 98.3 million, mainly as a result of the impact of the acquisitions in 2019 (see below for further explanation).

### NEW LEASES

The new leases mainly concern the newly opened cinema complexes in 2019 that are leased: Servon (€ 5.0 million), Market Mall (€ 6.7 million) and Regina (€ 10.3 million). In addition, new leases were also concluded for cars (€ 2.1 million) and for in-theatre sales equipment (€ 0.1 million). This has resulted in a total additional lease liability of € 23.2 million and an increase in right-of-use assets of € 27.8 million. Due to reclassifications of advance lease payments and leasehold inducements to right-of-use assets, there is a difference of € 1.1 million between the new right-of-use assets and the new lease liabilities. In addition, the RealD 3D equipment used by the Group is also included under the right-of-use assets (€ 3.5 million). As these assets are fully prepaid, there is no outstanding lease liability for these assets.

### ACQUISITIONS THROUGH BUSINESS COMBINATIONS

Due to various acquisitions that the Group has made during 2019, the lease liabilities and the right-of-use assets have increased by € 73.0 million. This is due, on the one hand, to the acquisition of the Spanish cinema group El Punt (€ 18.1 million) with regard to the leased cinema complex 'Full' in Barcelona and to the acquisition of the American cinema

group MJR Digital Cinemas (€ 54.9 million), with three leasehold sites and three leased cinema complexes, on the other. For more information about business combinations, we refer to note 10.

### ADJUSTMENTS

A number of leases were adjusted during 2019, mainly due to an extension of the contractual term and indexations of future rental amounts. In addition, the Group received leasehold inducements for contracts already started, which were deducted from the right-of-use assets. All this led to an adjustment of the lease liabilities of € 11.0 million and an adjustment of the right-of-use assets of € 8.6 million.

### IMPACT ON THE CONSOLIDATED RESULT AND THE CASH FLOW STATEMENT

As of 31 December 2019, through the application of IFRS 16, the Group has realised an increase in EBITDA to an amount of € 27.3 million and an increase in depreciations and interest costs of € 24.5 million and € 9.4 million, respectively. Consequently, there is a negative impact of € -6.3 million on the net result in 2019. These amounts are before tax effects. The impact on taxes is € 1.9 million. The Group repaid € 30.3 million in lease liabilities in 2019, of which € 9.4 million was interest.

### FINANCIAL LIABILITIES – FUTURE CASH FLOWS

The following table gives an overview of the contractual maturities for the non-discounted lease liabilities as of 31 December 2019:

| IN '000 €                               | 2019          |                |                |                |
|---|---------------|----------------|----------------|----------------|
|   | < 1 YEAR      | 1-5 YEARS      | > 5 YEARS      | TOTAL          |
| <b>NON-DISCOUNTED LEASE LIABILITIES</b> | <b>33 764</b> | <b>126 221</b> | <b>357 188</b> | <b>517 173</b> |

### NOT INCLUDED UNDER IFRS 16

The Group has decided to make use of the option of exemption from recognition under IFRS 16 for short-term leases and leases in which the underlying asset has a low value. The operational lease cost related to the exempt short-term leases amounts to € 0.3 million in 2019. Leases for which the underlying asset has a low value include compactors and

ATMs. The operational lease cost related to these exempt leases amounts to € 0.1 million in 2019. A total of € 0.4 million in operational lease cost was paid in 2019 for these exempt leases. This is classified in the consolidated cash flow statement under 'Cash flow from operating activities'.

In addition, the variable lease liabilities are also not recognised under IFRS 16. The total operational lease costs of this amount to € 0.9 million in 2019. This has led to the same outgoing cash flow that is classified in the consolidated cash flow statement under 'Cash flow from operating activities'.

The main parameters of variable lease liabilities are the realised revenue and the number of visitors. The Group has performed a sensitivity analysis with possible changes in the variable lease liabilities, estimated on the basis of a theoretical volatility of both revenue and number of visitors. If the revenue and the number of visitors were to increase by 10%, the total operational lease cost of the variable lease liability would increase to € 1.4 million. If the revenue and the number of visitors were 10% lower, the total operational lease cost of the variable lease liability would decrease to € 0.4 million.

As of 31 December 2019, the Group has already entered into lease commitments for contracts that will start in the course of 2020. These are therefore not yet recognised at the balance sheet date, nor are they included in the statement of future cash flows, but they will entail a future outgoing cash flow of non-discounted lease liabilities of € 22.4 million over the entire term of the contracts.

If the Group were to exercise all the possible extension options that it has available in the contracts as of 31 December 2019, there would be an additional cash outflow from non-discounted lease liabilities of € 208.3 million over the entire life of the included contracts. As of 31 December 2019, the Group is of the opinion that these additional possible extension options will not yet be exercised with reasonable certainty, as a result of which they are not included in the ending balance of the lease liabilities. If the Group only takes the contractually agreed extension options, the lease liability would decrease from € 416.1 million to € 271.1 million.

### RECONCILIATION OF THE OPENING BALANCE BETWEEN IAS 17 AND IFRS 16 DATA

Below, you can find the reconciliation between the operational lease liabilities as at 31 December 2018, under application of

IAS 17, and the opening balance sheet of the lease liabilities as at 1 January 2019, under application of IFRS 16.

| IN '000 €   |                |
|---|----------------|
| Operational lease liabilities as at 31 December 2018      | 243 136        |
| Effect of exchange rate fluctuations                      | -1 194         |
| Discounting by using the discount rate per 1 January 2019 | -37 801        |
| Finance lease obligations as at 31 December 2018          | 7 389          |
| <b>Exemption from recognising:</b>                        |                |
| Short-term leases   | -206           |
| Leases with low value                                     | -351           |
| Extension options exercised with reasonable certainty     | 105 857        |
| Adjustments based on an index or a rate                   | -1 339         |
| <b>LEASE LIABILITY RECOGNISED AS OF 01/01/2019</b>        | <b>315 491</b> |

Under IAS 17, the operating lease liability amounted to € 243.1 million, while under IFRS 16 a lease liability of € 315.5 million was recognised in the opening balance. The difference is explained by:

- A discounting effect by using the discount rate as at 1 January 2019, which decreased the operational lease liability under IAS 17 by € 37.8 million;
- An increase of € 7.4 million as a result of the finance lease obligations that were already recognised as a finance lease under IAS 17;
- The options to extend the contract that the Group will exercise with reasonable certainty, which increased the lease liability by € 105.9 million;
- Adjustments based on an index or future rental amounts of € -1.3 million;
- Leases exempt from recognition under IFRS 16, which are short-term leases (€ -0.2 million) and leases of which the underlying asset has a low value (€ -0.4 million);
- An exchange rate effect of € -1.2 million.



## LEASES AS LESSOR

The Group has leased out parts of its property under operational leases. The future minimum lease payments under non-cancellable leases are as follows:

| IN '000 €   | 2018          | 2019          |
|---|---------------|---------------|
| Less than one year  | 8 764         | 8 618         |
| Between one and two years   | 5 275         | 4 969         |
| Between two and three years   | 3 648         | 2 847         |
| Between three and four years  | 2 054         | 1 831         |
| Between four and five years   | 1 658         | 1 736         |
| More than five years  | 4 192         | 4 645         |
| <b>TOTAL</b>  | <b>25 591</b> | <b>24 645</b> |
| Minimum lease payments in the income statement with regard to operational leases  | 9 408         | 9 405         |
| Variable lease payments in the income statement with regard to operational leases | 1 164         | 1 067         |

The leases as lessor primarily concern the multiplex in Poznań (PL), leased to Cinema City since January 2007 for a term of 10 years, extended by 5 years. The rent consists of a fixed and a variable portion, the latter is expressed as a percentage of Box Office revenue. This variable rent was € 0.2 million in 2019 (2018: € 0.4 million).

The Group also leases part of its complexes to third parties for the exploitation of shops or cafés. These concessions have a term of 1 to 20 years (renewable), unless they are agreed for an undefined term.

Finally, the car parks of a number of complexes are leased for a period of 1 to 15 years (renewable) or for an indefinite term in Belgium, for a period of 9 years or for an indefinite term in Luxembourg or for an indefinite term in Poland and France. A fixed rent is charged for part of these car parks. The revenue from the other car parks is variable, based on the number of parking tickets sold, adjusted for management expenses.

## 27. Capital commitments

At the end of 2019, the Group had material capital commitments for € 13.9 million (2018: € 7.9 million). This mainly concerns commitments with regard to the construction or finishing of new cinemas for € 13.5 million

(2018: € 6.0 million) in Haarlem (NL), South East Edmonton (CA) and Metz (FR). Furthermore, this also relates to the commitments for the installation of 3D equipment in cinemas for € 0.4 million (2018: € 1.9 million).

## 28. Contingencies

### KFD

At the end of 2019 the Group had unrecognised contractual obligations for € 1.9 million (2018: € 2.3 million). These are primarily minimum guarantee commitments of Kinopolis

Film Distribution NV toward Dutch Filmworks BV for films that have not yet been released, but for which contractual obligations already exist.

## 29. Related parties

The transactions between the Group and its subsidiaries were eliminated in the consolidation, and are accordingly not

included in this note. The transactions with other related parties are explained below.

### REMUNERATION OF THE DIRECTORS AND EXECUTIVE OFFICERS

| IN '000 €                                     | 2018         | 2019         |
|---|--------------|--------------|
| <b>Directors</b>                              |              |              |
| Remuneration                                  | 782          | 935          |
| <b>Executive officers (CEO)<sup>(1)</sup></b> |              |              |
| Short-term employee benefits                  | 1 474        | 1 146        |
| Group insurance                               | 4            |              |
| <b>TOTAL</b>                                  | <b>2 260</b> | <b>2 081</b> |

*(1) Up to the date of the General Meeting of the Shareholders on 9 May 2018, Joost Bert was the co-CEO of the Group. As of that date, he was appointed Chairman of the Group.*

Under the Group's current 2016 stock option plan (Incentive Plan), no new options were granted to the Group's CEO, the Chairman and the Vice-Chairman of the Board of Directors in 2019. They did participate in this in 2017 (180 000 options) (we refer to note 20). For more information, please refer to the remuneration report in the Corporate Governance Statement.

### TRANSACTIONS WITH OTHER RELATED PARTIES

Kinohold BIS SA provides certain administrative services to the Group, for which it charged € 0.1 million in 2019 (2018: € 0.2 million).

Pentascop NV provides a number of maintenance and transport services to the Group, for which it charged € 0.2 million in 2019 (2018: € 0.2 million). € 0.1 million had not yet been paid at the end of the year (2018: € 0.1 million).

## 30. Subsequent events

### **FURTHER DEVELOPMENTS WITH REGARD TO EASING THE BEHAVIOURAL CONDITIONS IMPOSED ON KINEPOLIS GROUP**

In response to the request of Kinopolis Group NV for cancellation of the behavioural measures that were imposed on it in 1997 by the Belgian Competition Council, the Belgian Competition Authority decided on 31 May 2017 to relax these conditions and to no longer subject the opening of new cinemas in Belgium to its prior permission from 31 May 2019. The other behavioural measures, such as the need to obtain prior approval for the acquisition of existing Belgian cinemas and the prohibition to request exclusivity or priority from film distributors, have been maintained for a renewable period of three years. Two Belgian cinema groups appealed against the decision of the Belgian Competition Authority of 31 May 2017.

After the partial annulment of the decision of the Belgian Competition Authority of 31 May 2017 by the Court of Appeal in Brussels on 28 February 2018, which eased the conditions of conduct imposed on Kinopolis Group, the aforementioned Authority issued a new, well-founded decision on 26 April 2018. The decision confirmed the earlier relaxation of the conditions, whereby the opening of new cinema complexes in Belgium is no longer subject to the prior permission from the Competition Authority, but allows this to take effect from 26 April 2020. An appeal was again lodged against this decision of 26 April 2018.

Following the annulment by the Market Court of the decisions of the Belgian Competition Authority (BMA) of 31 May 2017 and 26 April 2018, respectively, to relax the behavioural conditions imposed on Kinopolis Group in 1997 by the BMA, the Company filed an updated request in 2019 that the aforementioned behavioural conditions be abolished, after which, on 11 February 2020, the BMA lifted the condition prohibiting organic growth without prior consent from the BMA, with effect as of 12 August 2021. The other behavioural conditions, including those related to the prior approval by the BMA regarding acquisitions in Belgium, remain in force.

### **BELGIAN EXCESS PROFIT RULING (EPR)**

On 11 January 2016, the European Commission published a decision that a purported regime of Belgian tax rulings with regard to 'Excess Profit' should be considered as illegal state aid. The decision of the European Commission obliges the Belgian government to make an additional claim for tax that would have been owed if such tax rulings had not been applied.

The Belgian tax authority has granted such a tax ruling to Kinopolis Group in 2012. As a consequence of the decision of the European Commission, and in accordance with IAS 12, Kinopolis set up a provision of € 9.4 million in 2015 for a potential additional claim for tax on the excess profit that was not included in the taxable base due to the ruling. The amount of the provision fully covers the potential liability, including interest charges. In June 2016, the Belgian government issued several communications, which provide information on the methodology that should be used to determine the amount of the taxes to be recovered. The € 9.4 million EPR provision complies with the methodology communicated.

Disputed assessments were established for the financial years 2012, 2013 and 2014, and € 6.3 million has been paid. With respect to the fiscal year 2015, an assessment was established in January 2018 for € 3.0 million, which was already paid with the funds consigned in July 2017.

The Belgian government and Kinopolis lodged an appeal against the EPR Decision with the European Court of First Instance. These appeals resulted in a judgement of 14 February 2019, by which the European Court of First Instance annulled the EPR decision.

The Commission appealed against this judgement on 24 April 2019. In addition, on 16 September 2019, the European Commission informed the Belgian State that it will initiate individual in-depth investigations into the excess profit ruling for 39 companies, including Kinopolis. The Belgian State asked those concerned to comment on the individual in-depth investigations, and Kinopolis has submitted its comments to the Belgian State. The decision to open an individual in-depth investigation will also be published, after which Kinopolis will also have the opportunity to submit its individual comments to the European Commission. It is not yet clear when the final decision will be made for Kinopolis.

#### **KINEPOLIS HAARLEM CONSTRUCTION STARTED**

Kinepolis started the construction of a new cinema in the Schalkwijk Centre in Haarlem, the Netherlands, in mid October 2019. The cinema complex will have 6 screens and 934 seats, and all the screens will have laser projection technology. Kinepolis expects to receive around 330 000 visitors per year. The opening of a new cinema fits in with the redevelopment of Schalkwijk Centre. The project for the new cinema in Haarlem was acquired by Kinepolis as part of the acquisition of NH Cinemas in January 2018. The cinema is scheduled to open in the fourth quarter of 2020.

#### **LANDMARK CINEMAS WORKING ON A NEW CINEMA IN SOUTH EAST EDMONTON**

Landmark Cinemas Canada and the Forster Harvard Development Corp. announced in 2019 that Landmark Cinemas is bringing its premium 'recliner' cinema experience to the 'Grove on 17' site in the Tamarack region, in South East Edmonton, Canada. The opening is planned for the fourth quarter of 2020. All eight film screens will be equipped with the Landmark luxury 'recliner' seat concept in a complete stadium layout. The new cinema with eight screens will also be equipped with Barco laser projection from Cinionic. Kinepolis expects to receive around 400 000 visitors per year in this complex.

#### **NEW-BUILD PROJECT METZ WAVES**

In the fourth quarter of 2020, Kinepolis plans to open a new cinema in the Waves-Actisud commercial centre in Moulins-lès-Metz. The cinema will have 6 screens and around 900 seats. Kinepolis expects to receive around 300 000 visitors per year in this new French complex.

#### **NEW-BUILD PROJECT MALL OF THE NETHERLANDS**

Kinepolis is also planning to open a new cinema in the fall of 2020, as part of the Mall of the Netherlands project in Leidschendam. The 'Mall of the Netherlands' is a project by Unibail-Rodamco, in which the Leidsenhage shopping centre will be transformed into the largest shopping centre in the Netherlands. The cinema will have 11 screens and Kinepolis expects to receive approximately 500 000 visitors per year.

#### **IMPACT OF THE CORONA – COVID-19 PANDEMIC ON THE OPERATING PROFIT**

Due to the impact of Covid-19, Kinepolis, in consultation with the relevant authorities, has closed all its cinemas in all countries where it operates. The health of our film fans and employees remains our absolute priority. This will have a serious impact on business operations as of March 2020 onwards. Depending on the duration of the closure and the number of cinemas involved, Kinepolis expects a serious impact on the Group's financial results in 2020.

Due to the closure of all locations, almost all turnover will be lost during this period. Our activities have a nature that more than 70% of the costs affecting EBITDA are variable. In the context of this pandemic, the various authorities in the different countries where Kinepolis is active have taken measures, such as the introduction of temporary unemployment, wage subsidies, etc. This has increased the variability of our costs above 70%. Kinepolis is taking the necessary measures to further reduce the impact at all cost levels, including the fixed costs and outgoing cash flows. The Board of Directors will also propose to the General Meeting not to pay out a dividend and to transfer the profit to 'Retained earnings'.

At the start of the Covid-19 pandemic, Kinepolis had almost € 70.0 million in cash and a line of credit of € 120.0 million. Kinepolis therefore has sufficient cash to cope with the crisis. Kinepolis's financial strategy has been characterised by a prudent financial policy in recent years. As a result, the outstanding financial obligations have a maturity of more than five years, and the next significant repayment of its bonds will only take place in 2022. Kinepolis also has a strong and healthy balance sheet with a major portfolio of real estate. The impact on an annual basis cannot be estimated yet. Kinepolis Group management, however, is convinced that it has taken the necessary measures and has sufficient cash at its disposal to cope with the crisis.

## 31. Mandates and remuneration of the Statutory Auditor

The Statutory Auditor for the Company is KPMG Bedrijfsrevisoren, represented by Mr. S. Cosijns. The mandates and remunerations for the entire Group can be summarised as follows:

| IN '000 €  | 2018       | 2019       |
|--|------------|------------|
| <b>Remuneration of the statutory auditor</b>   | 316        | 310        |
| Other audit-related services   | 22         | 86         |
| Tax advisory services  |            |            |
| Other assignments outside the audit assignments  | 6          | 10         |
| <b>Remuneration for other services or assignments performed within the Company and its subsidiaries by the statutory auditor</b>                         | 28         | 96         |
| <b>Remuneration for persons associated with the statutory auditor for the performance of a mandate as statutory auditor</b>                              | 446        | 537        |
| Other audit-related services   | 34         | 2          |
| Tax advisory services  | 26         | 23         |
| Other assignments outside the audit assignments  |            | 9          |
| <b>Remuneration for other services or assignments performed within the Company and its subsidiaries by persons associated with the statutory auditor</b> | 60         | 34         |
| <b>TOTAL</b>   | <b>850</b> | <b>976</b> |

## 32. Group entities

### LIST OF THE FULLY CONSOLIDATED COMPANIES

| COUNTRY                      | NAME                                   | MUNICIPALITY         | VAT OR COMPANY REGISTRATION NUMBER | % 2018          | % 2019 |
|------------------------------|--|----------------------|------------------------------------|-----------------|--------|
| Belgium                      | Brightfish NV                          | Brussels             | BE 0450 523 725                    | 100             | 100    |
|                              | Kinepolis Braine SA                    | Braine-L'alleud      | BE 0462 688 911                    | 100             | 100    |
|                              | Kinepolis Film Distribution (KFD) NV   | Brussels             | BE 0445 372 530                    | 100             | 100    |
|                              | Kinepolis Financial Services NV        | Brussels             | BE 0886 547 831                    | 100             | 100    |
|                              | Kinepolis Group NV                     | Brussels             | BE 0415 928 179                    | 100             | 100    |
|                              | Kinepolis Immo Hasselt NV              | Hasselt              | BE 0455 729 358                    | 100             | 100    |
|                              | Kinepolis Immo Multi NV                | Brussels             | BE 0877 736 370                    | 100             | 100    |
|                              | Kinepolis Liège NV                     | Hasselt              | BE 0459 469 796                    | 100             | 100    |
|                              | Kinepolis Mega NV                      | Brussels             | BE 0430 277 746                    | 100             | 100    |
|                              | Kinepolis Multi NV                     | Kortrijk             | BE 0434 861 589                    | 100             | 100    |
|                              | KP Immo Brussel NV                     | Brussels             | BE 0816 884 015                    | 100             | -      |
|                              | Utopia Belgium NV                      | Brussels             | BE 0466 339 772                    | 100             | -      |
|                              | Canada                                 | Kinepolis Canada LTD | Calgary                            | CA 2020 757 353 | 100    |
| Landmark Cinemas Holding LTD |  | Calgary              | CA 2020 757 536                    | 99.02           | 99.02  |
| Landmark Cinemas Canada LP   |  | Calgary              | CA 2017 564 317                    | 99.02           | 99.02  |
| Landmark Cinemas Canada GP   |  | Calgary              | CA 2017 564 317                    | 100             | 100    |
| France                       | Eden Panorama SA                       | Lomme                | FR 02340483221                     | 100             | 100    |
|                              | Forvm Kinepolis SA                     | Nîmes                | FR 86421038548                     | 100             | 100    |
|                              | Kinepolis Bourgoin SA                  | Bourgoin-Jallieu     | FR 65779487297                     | 100             | 100    |
|                              | Kinepolis France SAS                   | Lomme                | FR 20399716083                     | 100             | 100    |
|                              | Kinepolis Film Distribution France SAS | Lomme                | FR 43789848280                     | 100             | 100    |
|                              | Kinepolis Immo St. Julien-lès-Metz SAS | Metz                 | FR 51398364463                     | 100             | 100    |
|                              | Kinepolis Immo Thionville sa           | Thionville           | FR 10419162672                     | 100             | 100    |
|                              | Kinepolis Le Château du Cinéma SAS     | Lomme                | FR 60387674484                     | 100             | 100    |
|                              | Kinepolis Mulhouse SA                  | Mulhouse             | FR 18404141384                     | 100             | 100    |
|                              | Kinepolis Nancy SAS                    | Nancy                | FR 00428192819                     | 100             | 100    |
|                              | Kinepolis Prospection SAS              | Lomme                | FR 45428192058                     | 100             | 100    |
|                              | Kinepolis St. Julien-lès-Metz SAS      | Metz                 | FR 43398364331                     | 100             | 100    |
|                              | Kinepolis Thionville SAS               | Thionville           | FR 09419251459                     | 100             | 100    |
| Utopolis Longwy SAS          | Longwy                                 | FR 21432763563       | 100                                | 100             |        |
| Luxembourg                   | Utopolis Belval SA                     | Luxembourg           | LU 220 75 333                      | 100             | 100    |
|                              | Majestiek International SA             | Luxembourg           | LU 19942206638                     | 100             | 100    |
|                              | Utopia SA                              | Luxembourg           | LU 160 90 380                      | 100             | 100    |

| COUNTRY         | NAME                                 | MUNICIPALITY       | VAT OR COMPANY REGISTRATION NUMBER | % 2018 | % 2019 |
|-----------------|--------------------------------------|--------------------|------------------------------------|--------|--------|
| The Netherlands | Kinepolis Immo BV                    | Utrecht            | NL 003182794B01                    | 100    | 100    |
|                 | Kinepolis Rotterdam BV               | Utrecht            | NL 808810261B01                    | 100    | 100    |
|                 | Kinepolis Bioscopen Holding BV       | Utrecht            | NL 822624382B01                    | 100    | 100    |
|                 | Kinepolis Enschede BV                | Utrecht            | NL 808883574B01                    | 100    | 100    |
|                 | Kinepolis Groningen BV               | Utrecht            | NL 816165774B01                    | 100    | 100    |
|                 | Kinepolis Huizen BV                  | Utrecht            | NL 820697230B01                    | 100    | 100    |
|                 | Kinepolis Exploitatie BV             | Utrecht            | NL 819683036B01                    | 100    | 100    |
|                 | Kinepolis UBOS BV                    | Utrecht            | NL 856681866B01                    | 100    | 100    |
|                 | Kinepolis Immo Schagen BV            | Utrecht            | NL 815246353B01                    | 100    | 100    |
|                 | Kinepolis Cinemagnus Schagen BV      | Utrecht            | NL 815293446B01                    | 100    | 100    |
|                 | Kinepolis Immo Hoofddorp BV          | Utrecht            | NL 821608563B01                    | 100    | 100    |
|                 | Kinepolis Cinemeerse Hoofddorp BV    | Utrecht            | NL 821608666B01                    | 100    | 100    |
|                 | City Monumenten Utrecht BV           | Utrecht            | NL 002611375B01                    | 100    | 100    |
|                 | NH Haarlem BV                        | Utrecht            | NL 855813593B01                    | 100    | 100    |
|                 | Cineschalkstad BV                    | Utrecht            | NL 855814275B01                    | 100    | 100    |
|                 | Utopia Nederland BV                  | Almere             | NL 804687237B03                    | 100    | 100    |
|                 | Utrechtse Film Onderneming 'Ufio' BV | Utrecht            | NL 003182812B01                    | 100    | 100    |
|                 | Kinepolis Immo Spijkensisse BV       | Utrecht            | NL 810523358B01                    | -      | 100    |
|                 | Kinepolis Spijkensisse BV            | Utrecht            | NL 800351575B01                    | -      | 100    |
| Poland          | Kinepolis Poznań Sp.z o.o.           | Poznań             | NIP 5252129575                     | 100    | 100    |
| Spain           | Kine Invest SA                       | Pozuelo de Alarcon | ESA 824 896 59                     | 100    | 100    |
|                 | Kinepolis España SA                  | Pozuelo de Alarcon | ESA 814 870 27                     | 100    | 100    |
|                 | Kinepolis Granada SA                 | Pozuelo de Alarcon | ESA 828 149 55                     | 100    | 100    |
|                 | Kinepolis Jerez SA                   | Pozuelo de Alarcon | ESA 828 149 22                     | 100    | 100    |
|                 | Kinepolis Madrid SA                  | Pozuelo de Alarcon | ESA 828 149 06                     | 100    | 100    |
|                 | Kinepolis Paterna SA                 | Pozuelo de Alarcon | ESA 828 149 14                     | 100    | 100    |
|                 | Cines Llobregat SL                   | Madrid             | NIF B651 443 70                    | -      | 100    |
|                 | Cines El Punt SA                     | Madrid             | NIF A621 222 21                    | -      | 100    |
|                 | Restauració Al Punt SL               | Madrid             | NIF B625 860 03                    | -      | 100    |
| USA             | Kinepolis US Inc                     | Michigan           | EIN 61-1936179                     | -      | 100    |
|                 | MJR Group LLC                        | Michigan           | EIN 38-3367945                     | -      | 100    |
|                 | MJR Sterling Heights LLC             | Michigan           | EIN 46-3910496                     | -      | 100    |
| Switzerland     | Kinepolis Schweiz AG                 | Schaffhausen       | CH 2903013216-5                    | 100    | 100    |

## CHANGES IN THE CONSOLIDATION SCOPE

### NEW PARTICIPATING INTERESTS IN SUBSIDIARIES

Kinepolis Group acquired control of the 'Full' cinema in Barcelona and 'El Punt Ribera' in Valencia on 1 March 2019. In this context, Kinepolis took over the following companies: Cines Llobregat SL, Cines El Punt SA and Restauració Al Punt SL.

On 11 October 2019, Kinepolis Group NV acquired the shares of the American cinema group MJR Digital Cinemas. In this context, Kinepolis took over the following companies: MJR Group LLC and MJR Sterling Heights LLC. In addition, Kinepolis founded Kinepolis US Inc.

Kinepolis took over both the property and the operation of the Arcaplex cinema located in Spijkensisse, the Netherlands, on 14 November 2019. The companies Arcaplex Spijkensisse BV and Arcaplex Beheer BV were thereby renamed Kinepolis Spijkensisse BV and Kinepolis Immo Spijkensisse BV, respectively.

### OTHER CHANGES

The entities KP Immo Brussel NV and Utopia Belgium NV were liquidated during 2019.

# Statutory auditor's report to the General Meeting of Kinopolis Group NV on the consolidated financial statements as of and for the year ended 31 December 2019

FREE TRANSLATION OF UNQUALIFIED STATUTORY AUDITOR'S REPORT ORIGINALLY PREPARED IN DUTCH

In the context of the statutory audit of the consolidated financial statements of Kinopolis Group NV ('the Company') and its subsidiaries (jointly 'the Group'), we provide you with our statutory auditor's report. This includes our report on the consolidated financial statements for the year ended 31 December 2019, as well as other legal and regulatory requirements. Our report is one and indivisible.

We were appointed as statutory auditor by the General Meeting of 8 May 2019, in accordance with the proposal of the board of directors issued on the recommendation of the audit committee and as presented by the workers' council. Our mandate will expire on the date of the General Meeting deliberating on the annual accounts for the year ended 31 December 2021. We have performed the statutory audit of the consolidated financial statements of Kinopolis Group NV for 22 consecutive financial years.

## REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

### UNQUALIFIED OPINION

We have audited the consolidated financial statements of the Group as of and for the year ended 31 December 2019, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2019, the consolidated income statement, consolidated statement of profit or loss and other comprehensive income, consolidated cash flow statement and consolidated changes in equity for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to EUR 1.283.822.(000) and the consolidated statement of profit or loss shows a profit for the year of EUR 54.372.(000).

In our opinion, the consolidated financial statements give a true and fair view of the Group's equity and financial position as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

### BASIS FOR OUR UNQUALIFIED OPINION

We conducted our audit in accordance with International Standards on Auditing ('ISAs') as adopted in Belgium. In addition, we have applied the ISAs as issued by the IAASB applicable for the current accounting year while these have not been adopted in Belgium yet. Our responsibilities under those standards are further described in the "Statutory auditors' responsibility for the audit of the consolidated financial statements" section of our report. We have complied with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including the independence requirements.

We have obtained from the board of directors and the Company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### EMPHASIS OF MATTER – CORONA - COVID-19 PANDEMIC

We draw attention to note 30 'Subsequent events' to the consolidated financial statements where the board of directors describes the impact of the Corona - COVID-19 pandemic on the operating profit of the Group as well as the measures taken by the Group. Our opinion is not modified in respect of this matter.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Impairment of intangible assets, property, plant and equipment, right-of-use assets and goodwill

We refer to note 10 section 'Goodwill and business combinations' of the consolidated financial statements.

#### Description

As set out in Note 10, 'Goodwill and business combinations', the Group performed an impairment assessment over intangible assets, property, plant and equipment ('PPE'), right-of-use assets and goodwill. This assessment was performed for each of the smallest groups of assets that generate largely independent cash flows (the cash-generating unit or 'CGU'). The Group has defined a CGU as the country.



The Group determined the recoverable value of a CGU as the higher of its value in use ("VIU") which is based on estimated future cash flows and its fair value less costs to sell as determined by an external valuation expert.

Intangible assets, property, plant and equipment ('PPE'), right-of-use assets and goodwill represent 87% of the Group's total assets as of 31 December 2019. Determining the amount of impairment losses, if any, to be recorded requires the Group to exercise significant judgment and make important assumptions, particularly in relation to:

- the determination of the Group's CGUs;
- the estimation of a CGU's value-in-use, including the estimation of future cash flows and the applicable discount rates.

#### *Our audit procedures*

With the assistance of our valuation specialists, we performed the following audit procedures:

- we assessed the competence, capabilities and objectivity of the external valuation expert engaged by management;
- we evaluated the appropriateness of the accounting treatment used by management based on the relevant accounting standard (IAS 36 Impairment of Assets);
- we challenged management's assessment of potential indicators of impairment of intangible assets, property, plant and equipment ('PPE'), right-of-use assets and goodwill based on our own expectations developed from our knowledge of the Group and our understanding of internal and external factors relevant to the Group, the Group's business and the industry in which the Group operates;
- we challenged management's identification of CGUs with reference to our understanding of the Group's business and the requirements of the prevailing accounting standards;
- where a CGU required testing, we challenged key inputs and data used in the valuation model such as forecasted revenues, operating costs, maintenance capital expenditure, and respective weighted average cost of capital based on our knowledge of the business and the cinema industry. We assessed the Group's historical ability to forecast cash flows, and challenged the reasonableness of current forecasts given the future strategy of the Group and our understanding of the Group's past performance;
- we verified the mathematical accuracy of the discounted cash flow model;

- we performed sensitivity analyses on the respective weighted average cost of capital and the forecasted cash flows used by the Group to assess what change thereto would result in a different conclusion being reached, and assessing whether there were any indications of management bias in the selection of these assumptions;
- we assessed the appropriateness of the Group's disclosures in respect of impairment of intangible assets, property, plant and equipment ('PPE'), right-of-use assets and goodwill as included in Note 10 to the consolidated financial statements.

#### **Acquisition MJR Digital Cinemas**

We refer to Note 10 section 'Goodwill and business combinations' of the consolidated financial statements.

#### *Description*

As set out in Note 10, 'Goodwill and business combinations', the Group acquired MJR Digital Cinemas on 11 October 2019 for a consideration of USD 154,0 MIO or EUR 138,8 MIO. The accounting for the acquisition of a business is complex and accounting standards require the Group to identify all assets and liabilities of the newly acquired business and estimate the fair value of each item.

The accounting for the business combination is a key audit matter due to:

- the significance of the transaction to the consolidated financial statements;
- the judgement involved in the identification of assets and liabilities acquired and in the estimation of the fair value of each item.

#### *Our audit procedures*

With the assistance of our valuation specialists, we performed the following audit procedures:

- We inspected the Purchase and Sale Agreement and other relevant documents such as due diligence reports.
- We evaluated the appropriateness of the accounting treatment of the transaction and the related contracts based on the relevant accounting standards, in particular, the requirements of IFRS 3 Business Combinations and IFRS 10 Consolidated Financial Statements.
- We assessed the competence, objectivity and capabilities of the external experts engaged by management to determine the fair value of the assets acquired and liabilities assumed.

- We challenged the identification of the assets acquired and liabilities assumed as part of the business combination as well as the appropriateness of key assumptions used in the determination of the fair value of the assets and liabilities acquired and the methodology adopted by management and, by the experts engaged by management.
- We assessed the appropriateness of the Group's disclosures in respect of the acquisition of MJR Digital Cinemas as included in Note 10 to the consolidated financial statements.

#### **BOARD OF DIRECTORS' RESPONSIBILITIES FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The board of directors is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### **STATUTORY AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these consolidated financial statements.

When performing our audit we comply with the legal, regulatory and professional requirements applicable to audits of the consolidated financial statements in Belgium. The scope of the statutory audit of the consolidated financial statements does not extend to providing assurance on the future viability of the Group nor on the efficiency or effectivity of how the board of directors has conducted or will conduct the business of the Group.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also perform the following procedures:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by board of directors;
- Conclude on the appropriateness of board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## OTHER LEGAL AND REGULATORY REQUIREMENTS

### RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The board of directors is responsible for the preparation and the content of the board of directors' annual report on the consolidated financial statements, the statement of the non-financial information attached to the board of directors' annual report and the other information included in the annual report.

### STATUTORY AUDITOR'S RESPONSIBILITIES

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, the board of directors' annual report on the consolidated financial statements, the statement of the non-financial information attached to the board of directors' annual report on the consolidated financial statements and the other information included in the annual report, and to report on these matters.

### ASPECTS CONCERNING THE BOARD OF DIRECTORS' ANNUAL REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

Based on specific work performed on the board of directors' annual report on the consolidated financial statements, we are of the opinion that this report is consistent with the consolidated financial statements for the same period and has been prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge gained throughout the audit, whether the board of directors' annual report on the consolidated financial statements and other information included in the annual report:

- Part I – Company Report
- Part III – Financial Report: Key figures and ratios and share information

contain material misstatements, or information that is incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you.

The non-financial information required by article 3:32 §2 of the Companies' and Associations' Code has been included in a separate report attached to the board of directors' annual report on the consolidated financial statements, specifically Part II – Sustainability Report of the annual report. This report on the non-financial information contains the information required by article 3:32 §2 of the Companies' and Associations' Code and is consistent with the consolidated financial statements for the same period. The Company has prepared this non-financial information based on ISO26000. In accordance with art 3:80 §1, 1st paragraph, 5° of the Companies' and Associations' Code, we do not comment on whether this non-financial information has been prepared in accordance with ISO 26000 mentioned in the annual report on the consolidated financial statements.

### INFORMATION ABOUT THE INDEPENDENCE

- Our audit firm and our network have not performed any engagement which is incompatible with the statutory audit of the consolidated accounts and our audit firm remained independent of the Group during the term of our mandate.
- The fees for the additional engagements which are compatible with the statutory audit referred to in article 3:65 of the Companies' and Associations' Code were correctly stated and disclosed in the notes to the consolidated financial statements.

### OTHER ASPECT

This report is consistent with our additional report to the audit committee on the basis of Article 11 of Regulation (EU) No 537/2014.

Antwerp, 3 April 2020

KPMG Réviseurs d'Entreprises /  
Bedrijfsrevisoren  
Statutory Auditor  
represented by

Serge Cosijns  
Réviseur d'Entreprises /  
Bedrijfsrevisor



# Condensed financial statements of Kinopolis Group NV

The following information is an extract from the unconsolidated financial statements of Kinopolis Group NV, drawn up in accordance with the Belgian accounting principles. These unconsolidated financial statements, together with the management report to the General Shareholders' Meeting and the Auditor's report, will be filed with the National Bank of Belgium within the legal deadline.

It should be noted that only the consolidated financial statements as presented above give a true and fair view of the financial position and performance of Kinopolis Group NV.

As Kinopolis Group NV is essentially a holding company that accounts for its investments at cost in its unconsolidated statements, these separate financial statements only give a limited view of the financial position of Kinopolis Group NV. The Board of Directors has therefore deemed it appropriate to present only a condensed unconsolidated

balance sheet and income statement, prepared according to the Belgian accounting principles for the year ended 31 December 2019.

The statutory auditor's report on these statements is unqualified, and confirms that the unconsolidated financial statements of Kinopolis Group NV, prepared in accordance with Belgian accounting principles for the year ending 31 December 2019, give a true and fair view of the financial position of Kinopolis Group NV in accordance with all legal and regulatory provisions.

The unconsolidated financial statements of Kinopolis Group NV can be obtained free of charge from the website of the National Bank of Belgium ([www.nbb.be](http://www.nbb.be)), in the section 'Balanscentrale', subsection 'Jaarrekeningen raadplegen' or can be requested free of charge from Investor Relations.

## CONDENSED UNCONSOLIDATED BALANCE SHEET OF KINEPOLIS GROUP NV

| IN '000 €                                  | 2018           | 2019           |
|--|----------------|----------------|
| <b>Non-current assets</b>                  | <b>413 222</b> | <b>551 705</b> |
| Intangible assets                          | 5 519          | 6 258          |
| Property, plant and equipment              | 2 571          | 1 708          |
| Financial fixed assets                     | 405 133        | 543 739        |
| <b>Current assets</b>                      | <b>60 646</b>  | <b>68 809</b>  |
| <b>TOTAL ASSETS</b>                        | <b>473 868</b> | <b>620 513</b> |
| <b>Equity</b>                              | <b>83 956</b>  | <b>137 903</b> |
| Issued capital                             | 18 952         | 18 952         |
| Share premium                              | 1 154          | 1 154          |
| Legal reserves                             | 1 895          | 1 895          |
| Unavailable reserves                       | 20 095         | 22 803         |
| Available reserves                         | 7 050          | 7 050          |
| Profit carried forward                     | 34 810         | 86 049         |
| <b>Provisions and deferred taxes</b>       |                | <b>26</b>      |
| <b>Non-current loans and borrowings</b>    | <b>280 993</b> | <b>461 931</b> |
| <b>Current loans and borrowings</b>        | <b>95 343</b>  | <b>9 180</b>   |
| <b>Accrued charges and deferred income</b> | <b>13 575</b>  | <b>11 473</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>        | <b>473 868</b> | <b>620 513</b> |

## CONDENSED UNCONSOLIDATED INCOME STATEMENT OF KINEPOLIS GROUP NV

| IN '000 €  | 2018          | 2019          |
|--|---------------|---------------|
| Operating income   | 97 344        | 115 703       |
| Operating expenses   | -43 602       | -48 198       |
| <b>OPERATING PROFIT</b>  | <b>53 742</b> | <b>67 505</b> |
| Financial result   | -3 032        | 2 590         |
| Current tax expenses   | -12 849       | -16 147       |
| <b>PROFIT / (LOSS) FROM THE FINANCIAL YEAR FOR APPROPRIATION</b> | <b>37 861</b> | <b>53 947</b> |

## APPROPRIATION OF THE RESULTS OF KINEPOLIS GROUP NV

| IN '000 €  | 2018   | 2019   |
|--|--------|--------|
| Profit / (loss) from the fiscal year for appropriation | 37 861 | 53 947 |
| Profit carried forward from previous financial year    | 39 240 | 34 810 |
| Transfer from equity:                                  |        |        |
| - to the reserves not available for distribution       | 17 568 | 2 708  |
| Profit to be carried forward                           | 34 810 | 86 049 |
| Dividend   | 24 723 |        |

## MANDATES AND REMUNERATION OF THE STATUTORY AUDITOR OF KINEPOLIS GROUP NV

| IN '000 €  | 2018       | 2019       |
|--|------------|------------|
| Remuneration of the statutory auditor/s for the performance of a mandate as statutory auditor                                      | 211        | 186        |
| Other audit-related services   |            | 82         |
| Tax advisory services  |            |            |
| Other assignments outside the audit assignments  | 6          | 10         |
| <b>Remuneration for other services or assignments performed within the Company by the statutory auditor(s)</b>                     | <b>6</b>   | <b>91</b>  |
| Other audit-related services   |            |            |
| Tax advisory services  | 26         | 23         |
| Other assignments outside the audit assignments  |            |            |
| <b>Remuneration for other work or assignments performed within the Company by persons associated with the statutory auditor(s)</b> | <b>26</b>  | <b>23</b>  |
| <b>TOTAL</b>   | <b>243</b> | <b>300</b> |

# Reconciliations

## ADJUSTMENTS

| IN '000 €                           | 2018        | 2019          |
|-------------------------------------|-------------|---------------|
| EBITDA                              | -1 812      | -1 808        |
| Depreciations and impairment losses | -488        | -967          |
| Provisions                          | 536         | -146          |
| Financial result                    | 428         |               |
| Income tax expenses                 | 1 223       | 1 290         |
| <b>NET IMPACT OF ADJUSTMENTS</b>    | <b>-113</b> | <b>-1 631</b> |

## RECONCILIATION OF ADJUSTED PROFIT

| IN '000 €                            | 2018          | 2019          |
|--------------------------------------|---------------|---------------|
| Operating profit                     | 79 130        | 101 037       |
| Financial result                     | -12 371       | -23 726       |
| <b>Profit before tax</b>             | <b>66 759</b> | <b>77 311</b> |
| Income tax expenses                  | -19 350       | -22 939       |
| <b>Profit of the period</b>          | <b>47 409</b> | <b>54 372</b> |
| Net impact of adjustments            | 113           | 1 631         |
| <b>ADJUSTED PROFIT OF THE PERIOD</b> | <b>47 522</b> | <b>56 003</b> |

## RECONCILIATION OF ADJUSTED PROFIT EXCL. IFRS 16

| IN '000 €  | 2018          | 2019          |
|--|---------------|---------------|
| Operating profit excl. IFRS 16                     | 79 130        | 97 955        |
| Financial result excl. IFRS 16                     | -12 371       | -14 373       |
| <b>Profit before tax excl. IFRS 16</b>             | <b>66 759</b> | <b>83 582</b> |
| Income tax expenses excl. IFRS 16                  | -19 350       | -24 800       |
| <b>Profit of the period excl. IFRS 16</b>          | <b>47 409</b> | <b>58 782</b> |
| Net impact of adjustments                          | 113           | 1 631         |
| <b>ADJUSTED PROFIT OF THE PERIOD EXCL. IFRS 16</b> | <b>47 522</b> | <b>60 413</b> |
| Impact of IFRS 16                                  |               | -4 410        |
| <b>ADJUSTED PROFIT OF THE PERIOD</b>               | <b>47 522</b> | <b>56 003</b> |

## RECONCILIATION ADJUSTED EBITDA VS EBITDA

| IN '000 €                       | 2018           | 2019           |
|---------------------------------|----------------|----------------|
| Operating profit                | 79 130         | 101 037        |
| Depreciation and amortisation   | 39 039         | 70 734         |
| Provisions and impairments      | -982           | 568            |
| <b>EBITDA</b>                   | <b>117 187</b> | <b>172 339</b> |
| Impact of adjustments on EBITDA | 1 812          | 1 808          |
| <b>ADJUSTED EBITDA</b>          | <b>118 999</b> | <b>174 148</b> |

## RECONCILIATION ADJUSTED EBITDA VS EBITDA EXCL. IFRS 16

| IN '000 €                                   | 2018           | 2019           |
|---|----------------|----------------|
| Operating profit excl. IFRS 16              | 79 130         | 97 955         |
| Depreciation and amortisation excl. IFRS 16 | 39 039         | 46 511         |
| Provisions and impairments                  | -982           | 568            |
| <b>EBITDA excl. IFRS 16</b>                 | <b>117 187</b> | <b>145 034</b> |
| Impact of adjustments on EBITDA             | 1 812          | 1 808          |
| <b>ADJUSTED EBITDA EXCL. IFRS 16</b>        | <b>118 999</b> | <b>146 843</b> |
| Impact of IFRS 16                           |                | 27 305         |
| <b>ADJUSTED EBITDA</b>                      | <b>118 999</b> | <b>174 148</b> |

## RECONCILIATION OF NET FINANCIAL DEBT

| IN '000 €                 | 2018           | 2019           |
|---------------------------|----------------|----------------|
| Financial debt            | 342 503        | 905 870        |
| Cash and cash equivalents | -65 381        | -72 473        |
| Tax shelter investments   | -304           | - 304          |
| <b>NET FINANCIAL DEBT</b> | <b>276 818</b> | <b>833 093</b> |

## RECONCILIATION OF NET FINANCIAL DEBT EXCL. LEASE LIABILITIES

| IN '000 €   | 2018           | 2019           |
|---|----------------|----------------|
| Financial debt excl. lease liabilities            | 342 503        | 489 727        |
| Cash and cash equivalents                         | -65 381        | -72 473        |
| Tax shelter investments                           | -304           | - 304          |
| <b>NET FINANCIAL DEBT EXCL. LEASE LIABILITIES</b> | <b>276 818</b> | <b>416 950</b> |
| Impact of lease liabilities                       |                | 416 143        |
| <b>NET FINANCIAL DEBT</b>                         | <b>276 818</b> | <b>833 093</b> |

## RECONCILIATION OF FREE CASH FLOW

| IN '000 €   | 2018          | 2019          |
|---|---------------|---------------|
| Cash flow from operating activities   | 113 360       | 176 642       |
| Income taxes paid   | -22 382       | -25 718       |
| Maintenance capital expenditures for intangible assets, property, plant and equipment and investment property | -15 944       | -20 956       |
| Interest paid   | -10 287       | -12 882       |
| Payment of lease liabilities  |               | -26 917       |
| <b>FREE CASH FLOW</b>   | <b>64 747</b> | <b>90 169</b> |

## RECONCILIATION ROCE

| IN '000 €                     | 2018           | 2019           |
|-------------------------------|----------------|----------------|
| Operating profit              | 79 130         | 101 037        |
| Impact of adjustments on EBIT | 1 764          | 2 921          |
| <b>Adjusted EBIT</b>          | <b>80 894</b>  | <b>103 958</b> |
| Average non-current assets    | 536 334        | 853 598        |
| Average deferred tax assets   | -1 305         | -1 327         |
| Average assets held for sale  | 4 830          | 4 379          |
| Average inventories           | 4 834          | 5 384          |
| Average trade receivables     | 34 118         | 38 515         |
| Average trade payables        | -83 189        | -96 187        |
| <b>Capital employed</b>       | <b>495 623</b> | <b>804 362</b> |
| <b>ROCE</b>                   | <b>16.3%</b>   | <b>12.9%</b>   |

## RECONCILIATION ROCE EXCL. IFRS 16

| IN '000 €                                 | 2018           | 2019           |
|---|----------------|----------------|
| Operating profit excl. IFRS 16            | 79 130         | 97 955         |
| Impact of adjustments on EBIT             | 1 764          | 2 921          |
| <b>Adjusted EBIT excl. IFRS 16</b>        | <b>80 894</b>  | <b>100 876</b> |
| Average non-current assets excl. IFRS 16  | 536 334        | 654 992        |
| Average deferred tax assets excl. IFRS 16 | -1 305         | -1 594         |
| Average assets held for sale              | 4 830          | 4 379          |
| Average inventories                       | 4 834          | 5 384          |
| Average trade receivables                 | 34 118         | 38 515         |
| Average trade payables                    | -83 189        | -96 187        |
| <b>Capital employed excl. IFRS 16</b>     | <b>495 623</b> | <b>605 490</b> |
| <b>ROCE EXCL. IFRS 16</b>                 | <b>16.3%</b>   | <b>16.7%</b>   |

## RECONCILIATION CURRENT RATIO

| IN '000 €            | 2018        | 2019        |
|----------------------|-------------|-------------|
| Current assets       | 122 704     | 134 779     |
| Current liabilities  | 183 732     | 179 168     |
| <b>CURRENT RATIO</b> | <b>0.67</b> | <b>0.75</b> |

## RECONCILIATION CURRENT RATIO EXCL. IFRS 16

| IN '000 €                          | 2018        | 2019        |
|------------------------------------|-------------|-------------|
| Current assets                     | 122 704     | 134 779     |
| Current liabilities excl. IFRS 16  | 183 732     | 146 077     |
| <b>CURRENT RATIO EXCL. IFRS 16</b> | <b>0.67</b> | <b>0.92</b> |



## RECONCILIATION CAPITAL EXPENDITURE ACCORDING TO THE CASH FLOW STATEMENT

| IN '000 €  | 2018          | 2019           |
|--|---------------|----------------|
| Acquisition of intangible assets   | 2 872         | 2 637          |
| Acquisition of property, plant and equipment and investment property         | 58 332        | 60 067         |
| Advance lease payments   |               | 3 519          |
| Acquisition of subsidiaries, net of cash acquired                            | 27 493        | 173 930        |
| Proceeds from sale of investment property and intangible and tangible assets | - 501         | -5 942         |
| <b>TOTAL CAPITAL EXPENDITURE ACCORDING TO THE CASH FLOW STATEMENT</b>        | <b>88 196</b> | <b>234 211</b> |

## RECONCILIATION GEARING RATIO

| IN '000 €            | 2018        | 2019        |
|----------------------|-------------|-------------|
| Net financial debt   | 276 818     | 833 093     |
| Equity               | 177 617     | 211 253     |
| <b>GEARING RATIO</b> | <b>1.56</b> | <b>3.94</b> |

## RECONCILIATION GEARING RATIO EXCL. IFRS 16

| IN '000 €                                  | 2018        | 2019        |
|--|-------------|-------------|
| Net financial debt excl. lease liabilities | 276 818     | 416 950     |
| Equity                                     | 177 617     | 211 253     |
| <b>GEARING RATIO EXCL. IFRS 16</b>         | <b>1.56</b> | <b>1.97</b> |

# Glossary and APMs

The glossary below also contains Alternative Performance Measures (APMs) that are aimed to improve the transparency of financial information.

## *Gross profit*

Revenue – Cost of sales

## *Operating profit (EBIT)*

Gross profit – marketing and selling expenses - administrative expenses + other operating income - other operating expenses

## *Adjusted operating profit*

Operating profit after eliminating adjustments; is used to reflect the operating profit from normal operating activities

## *EBITDA*

Operating profit + depreciations + amortisations + impairments + movements in provisions

## *Adjusted EBITDA*

EBITDA after eliminating adjustments; is used to reflect the EBITDA from normal operating activities

## *Adjustments*

This category primarily includes results from the disposal of fixed assets, impairment losses on assets, provisions, costs from restructuring and acquisitions and other exceptional income and expenses.

## *Financial result*

Financial income - financial expenses

## *Effective tax rate*

Income tax expense / profit before tax

## *Adjusted profit*

Profit of the period after elimination of adjustments; is used to reflect the profit from normal operating activities

## *Profit of the period, share of the Group*

Profit attributable to equity holders of the Company

## *Basic earnings per share*

Profit of the period, share of the Group / (average number of outstanding shares – average number of treasury shares)

## *Diluted earnings per share*

Profit of the period, share of the Group / (average of number of outstanding shares – average number of treasury shares + number of possible new shares that must be issued under the existing share option plans x dilution effect of the share option plans)

## *Dividend*

Payment of the profit of a company to its shareholders

## *Pay-out ratio*

The pay-out ratio indicates which part of the net profit is distributed to the shareholders

## *Capital expenditure*

Capitalised investments in intangible assets, property, plant and equipment and investment property

## *Gross financial debt*

Non-current and current financial liabilities

## *Net financial debt*

Financial debt after deduction of cash and cash equivalents, and tax shelter investments

## *Net financial debt excl. lease liabilities*

Financial debt excluding lease liabilities after deduction of cash and cash equivalents and tax shelter investments

## *ROCE (Return on capital employed)*

Adjusted EBIT / (average non-current assets – average deferred tax assets + average assets held for sale + average trade receivables + average inventory – average trade payables)

## *Current ratio*

Current assets / current liabilities

## *Free cash flow*

Cash flow from operating activities – maintenance capital expenditures for intangible assets and property, plant and equipment and investment property – interest paid

## *Excluding IFRS 16*

The figures in the current period, applying the new lease standard IFRS 16, have been recalculated according to the former lease standard IAS 17 to make the comparability between the figures of both reporting periods more transparent.

# Financial calendar 2020-2021



These dates are subject to change.

For adjustments to the financial calendar, please refer to the Investor Relations website:

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2019

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