



ANNUAL REPORT **2017**



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01 KEY FIGURES AND RATIOS

KEY FIGURES

NUMBER OF COMPLEXES ^{(1) (2)}	BELGIUM	FRANCE	CANADA	SPAIN	NETHERLANDS	LUXEMBOURG	OTHER (POLAND & SWITZERLAND)	TOTAL
2017	11	11	44	6	17	3	2	94

VISITORS (MILLIONS) ⁽³⁾	BELGIUM	FRANCE	CANADA	SPAIN	NETHERLANDS	LUXEMBOURG	SWITZERLAND	TOTAL
2016	8.4	7.0	0.0	4.4	2.8	1.1	0.1	23.8
2017	8.4	7.1	1.1	4.4	3.2	1.0	0.1	25.3
2017 vs 2016	0.0%	0.2%		-0.5%	15.4%	-0.8%	-4.0%	6.2%

CONSOLIDATED INCOME STATEMENT (IN '000 €)	2013	2014	2015	2016	2017
Revenue	245 980	262 619	301 571	324 938	355 427
EBITDA	75 006	71 303	88 739	91 650	103 186
REBITDA	74 634	74 264	90 958	94 574	104 292
Gross profit	82 111	81 843	99 578	100 209	113 395
Operating profit	55 069	50 665	65 245	63 207	72 915
Net finance expense	-5 998	-4 295	-7 754	-7 619	-8 213
Profit before tax	49 071	46 370	57 491	55 588	64 702
Profit	37 541	35 167	32 255	47 646	49 067
Current profit	37 395	35 589	43 207	40 413	44 745

ANNUAL GROWTH RATES	2013	2014	2015	2016	2017
Revenue	-3.3%	6.8%	14.8%	7.7%	9.4%
EBITDA	3.8%	-4.9%	24.5%	3.3%	12.6%
REBITDA	0.9%	-0.5%	22.5%	4.0%	10.3%
Gross profit	-0.1%	-0.3%	21.7%	0.6%	13.2%
Operating profit	6.6%	-8.0%	28.8%	-3.1%	15.4%
Profit	5.1%	-6.3%	-8.3%	47.7%	3.0%
Current profit	0.0%	-4.8%	21.4%	-6.5%	10.7%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IN '000 €)	2013	2014	2015	2016	2017
Non-current assets	255 239	302 068	392 075	424 122	514 518
Current assets	55 072	44 996	98 624	79 324	206 437
TOTAL ASSETS	310 311	347 064	490 699	503 446	720 955
Equity	104 657	104 732	123 033	149 898	176 394
Provisions and deferred tax liabilities	20 525	18 352	27 029	25 531	35 849
Non-current loans and borrowings	87 917	91 471	214 000	207 278	342 106
Current loans and borrowings and bank overdrafts	19 332	44 095	8 714	6 996	39 873
Trade and other payables	70 487	79 651	97 090	100 160	116 466
Other	7 393	8 763	20 833	13 582	10 267
TOTAL EQUITY AND LIABILITIES	310 311	347 064	490 699	503 446	720 955

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

(2) Number of complexes on publication date.

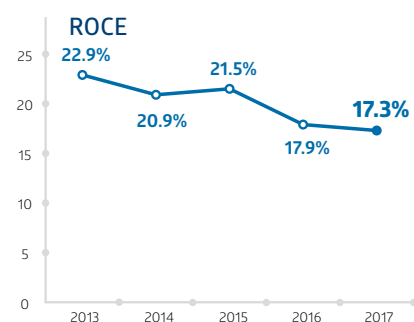
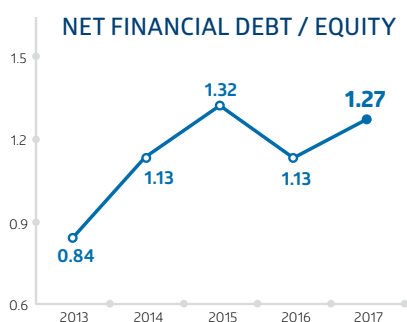
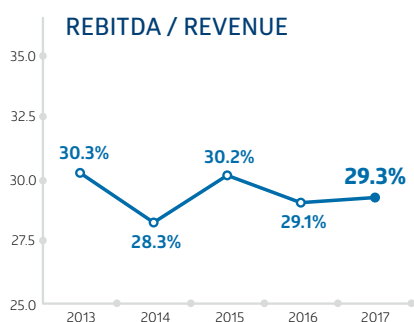
(3) Excluding Cinema City Poznań (Poland).

DATA PER SHARE ⁽⁴⁾	2013	2014	2015	2016	2017
Revenue	9.06	9.99	11.26	11.94	13.05
EBITDA	2.76	2.71	3.31	3.37	3.79
REBITDA	2.75	2.82	3.40	3.48	3.83
Profit	1.38	1.34	1.20	1.75	1.80
Current profit	1.38	1.35	1.61	1.48	1.64
Equity share of the Group	3.85	3.89	4.59	5.51	6.48
Gross dividend ^{(5) (6)}	0.64	0.65	0.79	0.87	0.90
Pay-out ratio	45%	50%	50%	50%	50%

RATIOS

PROFITABILITY RATIOS	2013	2014	2015	2016	2017
EBITDA / Revenue	30.5%	27.2%	29.4%	28.2%	29.0%
REBITDA / Revenue	30.3%	28.3%	30.2%	29.1%	29.3%
Gross profit / Revenue	33.4%	31.2%	33.0%	30.8%	31.9%
Operating profit / Revenue	22.4%	19.3%	21.6%	19.5%	20.5%
Profit / Revenue	15.3%	13.4%	10.7%	14.7%	13.8%

FINANCIAL STRUCTURE RATIOS	2013	2014	2015	2016	2017
Net financial debt	88 141	118 645	162 008	169 751	224 310
Net financial debt / EBITDA	1.18	1.66	1.83	1.85	2.17
Net financial debt / REBITDA	1.18	1.60	1.78	1.79	2.15
Net financial debt / Equity	0.84	1.13	1.32	1.13	1.27
Equity / Total equity and liabilities	33.7%	30.2%	25.1%	29.8%	24.5%
Current Ratio	0.62	0.36	0.85	0.71	1.30
ROCE	22.9%	20.9%	21.5%	17.9%	17.3%



(4) Calculation based on the weighted average number of shares for the relevant period, multiplied by five for the period 2011 through 2013, to take account of the share split in 2014 and enable a comparison of the figures.

(5) Calculation based on the number of dividend eligible shares. For the year 2013 divided by 5, bearing in mind the splitting of each share in five shares on 1 July 2014 for the sake of comparison.

(6) An additional exceptional dividend of € 0.20 per share was paid out for the fiscal year 2014.

02 ANNUAL SUMMARY

Word from the Chairman and CEOs



Eddy Duquenne, CEO, Philip Ghekiere, Chairman of the Board of Directors and Joost Bert, CEO

Ladies and gentlemen,
dear shareholder, customer and employee,

In 2017 we celebrated our 20th anniversary since the merger and foundation of Kinopolis Group in 1997. The anniversary year did not pass unnoticed, not least because of the acquisition of the Canadian cinema group Landmark Cinemas. With this acquisition we have taken a major step in the execution of our expansion strategy, in terms of both the number of complexes and the geographical spread of our activities, with the entry onto the first non-European market.

The continued implementation of our three-pillar strategy and successful premium product innovation again led to solid results in 2017, against a background of a rather variable film offering. The integration of acquired cinemas and the achievement of the improvement potential is going to plan.

The number of visitors rose by 6.2% to 25.3 million, due, on the one hand, to cinemas acquired and newly opened in 2016 in France (Rouen and Fenouillet), the Netherlands (Breda, Dordrecht, Utrecht) and Spain (Granada), which were included for a whole year for the first time, and, on the other hand, to the acquisition of Landmark Cinemas in December 2017. The results of Landmark Cinemas were included in the consolidated group results from 8 December 2017. The film offering was rather variable. Exceptionally strong months (such as April, due to 'The Fate of The Furious', 'Beauty and the Beast' and 'Boss Baby', and September, due to 'It') alternated with weak periods.

Total revenue rose by 9.4% to € 355.4 million, outpacing the rise in visitor numbers, due to an increase in revenue in all business lines except Kinopolis Film Distribution (KFD). Sales per visitor increased in virtually all countries.

Current EBITDA rose by 10.3% to € 104.3 million, growing faster than either the visitor numbers or sales.

Current profit in the year under review was € 44.7 million, a rise of 10.7% compared with 2016, due to the higher operating result and in spite of higher depreciations and financial costs as a consequence of the expansion. Total profit increased by 3.0% to € 49.1 million, due, among other things, to the revenue from the sale of the Toison d'Or premises (Brussels, BE) and the release of tax provisions.

The Board of Directors will propose to the General Meeting of 9 May 2018 a pay-out ratio of 50% of net profit. Taking into account the number of shares entitled to dividend on the date of publication of this annual report, this means a gross dividend per share of € 0.90. This is a rise of 3.4% compared with the previous year.

We continue to grow in an industry that faces considerable challenges. Business models are being questioned and Hollywood is wrestling with its content offering. The audience is showing signs of 'sequel fatigue', which means that there are as many blockbuster flops as successes. By consistently applying our three-pillar strategy and our operating mode, for the tenth consecutive year, we take control of our own fate. Strategic innovation therefore remains essential. Innovation creates oxygen and ensures the continued future success of our company. With that in mind, the Kinopolis Innovation Lab, which was launched two years ago, becomes increasingly important in our business planning. Successful innovations developed and tested in the Innovation Lab can be rolled out in other countries and cinemas, sometimes in slightly different form.

Over the past year we again introduced innovations that take the customer experience to the next level. We opened four 4DX theatres (in Brussels, Antwerp, Madrid and Lomme), rolled out our Cosy Seating concept to even more theatres and successfully completed the implementation of our new cinema ERP system. As well as technological (such as 4DX, Laser Ultra, Imax and Dolby Atmos) and conceptual innovations (such as Cosy Seating), our events and alternative content also make a positive contribution to our results. All of these innovations are part of a diversification and premiumization strategy that enables us to meet the expectations of various target groups.

We are happy that our efforts to innovate the big screen experience are also being noticed internationally. In June Eddy Duquenne was presented with the 'International Exhibitor of the Year' Award during CineEurope in Barcelona. A great honor, the more so because our founder Albert Bert also received this very award exactly 20 years ago. Eddy Duquenne dedicated the award to the entire Kinepolis team.

Also in Canada, we will introduce both new and established Kinepolis concepts. And we will trial Canadian concepts here. Expansion enlarges our playing field and gives us more possibilities and strength to trial and implement ideas. This will enable us to continue to successfully develop our self-learning and self-innovating organization.

Expansion remains high on the agenda. We now have 94 cinemas and we are working on many new-build projects, including in the Netherlands ('s-Hertogenbosch), France (Brétigny-sur-Orge) and Canada. In the meantime, we are adapting our organization to support this growth. Human Capital is one of the spearheads in this support and in 2018 we will invest even more in attracting, developing and retaining talented people. Our human capital is the key to the success of Kinepolis, so investing in people remains one of our absolute priorities.



Signing of the agreement to acquire Landmark Cinemas Canada





Eddy Duquenne, CEO

Our country structure (in which a national team manages all cinemas in a given country), in combination with the continued development of our international and support organization, ensures – and shall continue to ensure – that our expansion remains manageable and that we continue to function well and efficiently as an organization.

From a financial perspective, we pursue a very cautious policy, financing our investments over the long term. In 2017 we realized a private placement of bonds for € 125 million to achieve an optimal match between cash flows and investments. The placement serves to support our expansion, the renovation of acquired cinemas and investments in new experience concepts.

The 2018 line-up looks very promising, including 'Red Sparrow', 'Avengers: Infinity War', 'Jurassic World: Fallen Kingdom', 'Deadpool 2', 'Han Solo' and 'Mowgli'. For this year our recipe for success remains a high-quality film program, together with further expansion, motivated employees and continued investment in creating a unique customer experience and a varied offering.

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 would like to thank each and every one of them and assure them that we do everything we can to earn that trust every single day.

Eddy Duquenne
CEO Kinopolis Group

Joost Bert
CEO Kinopolis Group

Philip Ghekiere
Chairman of the Board of Directors



2017 at a glance

THROUGHOUT 2017

Rollout of
Cosy Seats



JAN 2017

Launch of the new iOS and
Android Kinepolis apps

7 MAR 2017

Kinepolis Jaarbeurs
(Utrecht, NL) fully opened



APR 2017

Transition of Luxembourg
Utopolis cinemas Belval and
Kirchberg to Kinepolis cinemas
(phase 1)



APR 2017

Rollout of new cinema
ERP system Vista
completed

10 MAY 2017

Appointment of Ignace Van
Doorselaere as independent
director of Kinepolis Group nv



© PhotoNews

9 JUN 2017

Construction of Kinepolis
's-Hertogenbosch (NL) begins



22 JUN 2017

Eddy Duquenne is presented
with the 'International Exhibitor
of the Year' award at CineEurope



18 JUL 2017

Toison d'Or building (Brussels, BE) is sold



18 SEP 2017

Kinepolis reaches agreement on the acquisition of the Canadian cinema group Landmark Cinemas



NOV 2017

Kinepolis Almere (NL) remodeling completed



NOV 2017

Phase 1 of the remodeling of the Kinepolis Emmen (NL) begins

5 DEC 2017

Private placement of bonds totaling €125 million



7 DEC 2017

Kinepolis finalizes the acquisition of the Canadian cinema group Landmark Cinemas



DEC 2017

Opening of the 'Great Escape by Kinepolis' at Kinepolis Leuven (BE)



DEC 2017

Opening 4DX theatres in Brussels, Antwerp (BE) and Madrid (ES)

22 DEC 2017

Kinepolis reaches an acquisition agreement with Dutch cinema group NH Bioscopen



22 DEC 2017

Kinepolis announces the start of a share buyback program






Kinepolis Group in brief

Kinepolis Group nv was formed in 1997 through a merger of two cinema groups and was listed on the stock exchange in 1998. Kinepolis Group stands for an innovative cinema concept, which serves as a pioneering model within the industry. In addition to its cinema operations, the Group is also active in film distribution, event organization, screen advertising and property management.




Kinepolis in Europe⁽¹⁾

In Europe, Kinepolis Group has 50 cinemas throughout Belgium, the Netherlands, France, Spain, Luxembourg, Switzerland and Poland.

number of visitors
in 2017
in Europe  **24.2** mio

complexes  50⁽²⁾
theatres  512
seats  125 134

number of visitors
in 2016
in Europe  **23.8** mio

complexes  49⁽²⁾
theatres  499
seats  123 675

2017 2016

 **1.0** mio -0.8% **1.1** mio

 3  22  4 927 3 22 4 843

 **8.4** mio +0.0% **8.4** mio

 11  138  36 262 12 149 36 280

 **7.1** mio +0.2% **7.0** mio

 11  128  31 661 11 128 31 948

 **4.4** mio -0.5% **4.4** mio

 6  99  28 682 6 99 28 693

 **3.2** mio +15.4% **2.8** mio

 17  117  22 047 15 104 20 356

 **0.1** mio -4.0% **0.1** mio

 1  8  1 555 1 8 1 555

 1⁽³⁾  1⁽³⁾

Grand Duchy of Luxembourg

Esch-sur-Alzette
Luxembourg City x2

Belgium

Antwerp	Braine l'Alleud
Bruges	Kortrijk
Brussels	Louvain
Ghent	Liège x2
Hasselt	Ostend

France

Lomme	Nancy
Longwy	Nîmes x2
Bourgoin	Rouen Saint-Sever
Fenouillet	St-Julien-lès-Metz
Mulhouse	Thionville

Spain

Alicante
Madrid x2
Granada x2
Valencia

The Netherlands

Almere	Hoofddorp
Breda	Nieuwegein
Den Helder	Oss
Dordrecht	Rotterdam
Emmen	Schagen
Enschede x2	Utrecht x2
Groningen	Zoetermeer
Huizen	

Switzerland

Schaffhausen

Poland

Poznań

Benelux

 Complex in ownership and/or operated by Kinepolis
 Planned new complex

(1) On the date of publication belonging to the real estate portfolio, regardless of whether they are used for cinema activities.
(2) Including one complex operated by Cineworld (Poznan, PL). Number of screens and seats not included in the total.
(3) Cinema operated by Cineworld. Number of screens and seats not included here.






for **MOVIE LOVERS**

Kinepolis in Canada

Since the acquisition of the Canadian cinema group Landmark Cinemas in December 2017, Kinepolis has 44 cinemas in Canada. They continue to operate under the Landmark Cinemas brand.




number of visitors in 2017 in Canada ⁽¹⁾  **1.1 mio**

complexes ⁽²⁾  **44**
 theatres  **310**
 seats  **56 037**




Worldwide

On the date of publication of this annual report, Kinepolis Group has 94 cinema complexes in its portfolio (43 of which it owns), with in total 822 screens and more than 180 000 seats. Every day, 3 750 Kinepolis employees devote themselves to ensuring that millions of cinema-goers have an unforgettable movie experience.

number of visitors in 2017 worldwide  **25.3 mio**




complexes ⁽²⁾  **94**
 theatres  **822**
 seats  **>180 000**

Yukon

 2
 4
 704




Whitehorse (Qwanlin)
 Whitehorse (Yukon)

British Columbia

 15
 87
 16 226



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

Alberta

 11
 66
 11 074

Edmonton (City Centre)
 Edmonton (Spruce Grove)
 Calgary (Country Hills)
 Calgary (Shawnessy)
 Fort McMurray

Saskatchewan

 1
 1
 360




Yorkton

Manitoba

 5
 31
 5 663

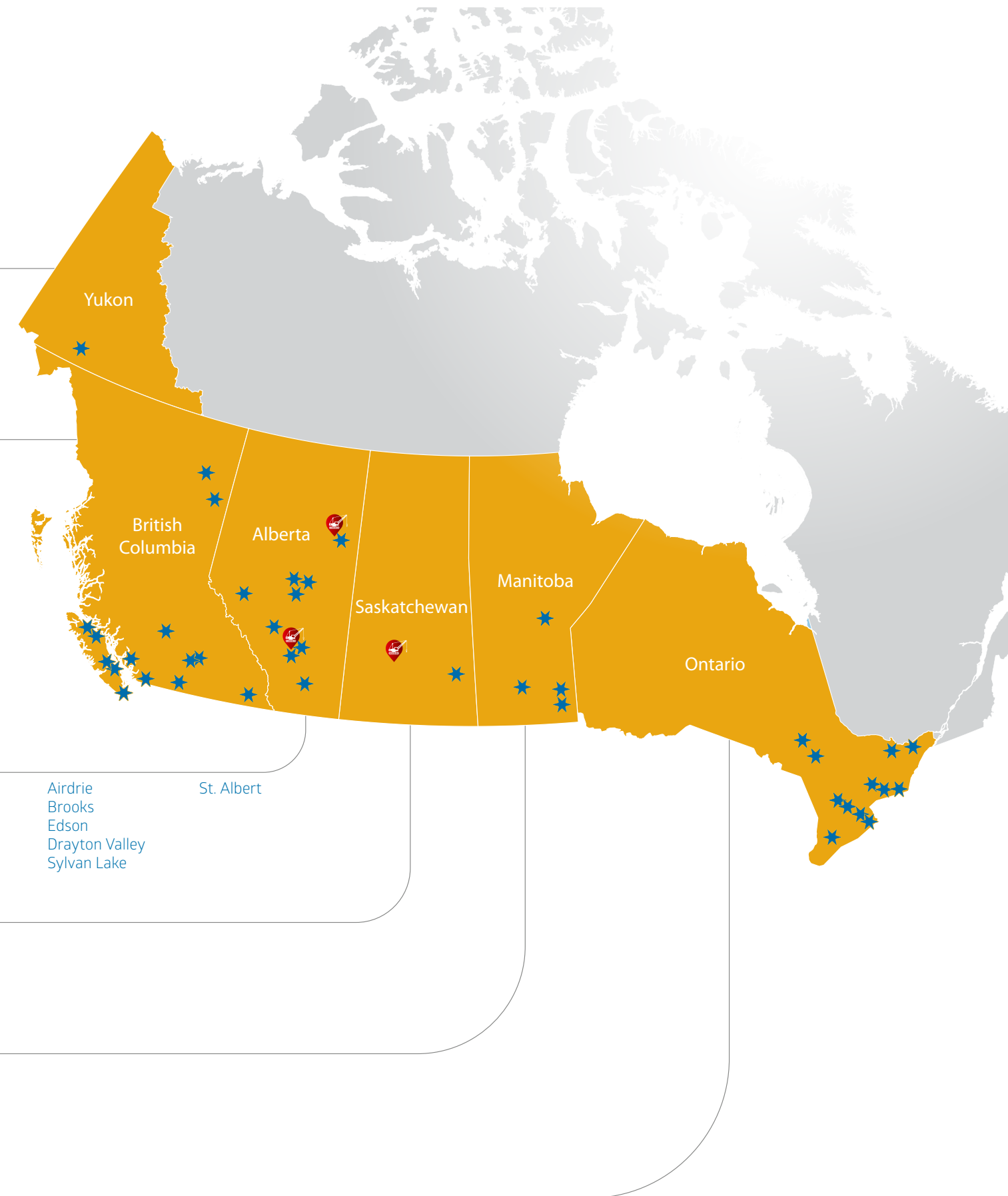
Brandon
 Selkirk
 Winkler
 Winnipeg (Grant Park)
 Winnipeg (Towne)

Ontario

 10
 121
 22 010

Bolton
 Hamilton (Jackson Sq.)
 Kingston
 Kitchener
 Kanata

(1) Visitors from 8 December 2017, after finalization of the acquisition of Landmark Cinemas in Canada.
 (2) Number of complexes on publication date.



Airdrie
Brooks
Edson
Drayton Valley
Sylvan Lake

St. Albert

London
Orleans
St. Catherines
Waterloo
Whitby



Planned new complex in Saskatoon, Calgary and Fort McMurray (Fort McMurray as a replacement for an existing complex)



Organization and strategy

Our mission and strategy

Kinepolis wants to offer film and culture lovers a **unique experience** and pursues a **personalized program** for various target groups. Kinepolis wants to create sustainable value for customers, employees, shareholders, partners and the community. The three pillars of its strategic model go hand in hand with sustainable enterprise.



2014 Global Achievement in Exhibition Award



Poster wall and ticket machines, Kinepolis Antwerp (BE)



Sustainable, state-of-the-art cinema complexes such as Kinepolis Dordrecht (NL)



KINEPOLIS WANTS TO BE THE BEST CINEMA OPERATOR

Kinepolis is committed to giving visitors a relaxing movie experience or business event in the best possible conditions. In doing so, Kinepolis pursues top technical and logistical quality to create a unique cinema experience.



KINEPOLIS WANTS TO BE THE BEST MARKETER

Kinepolis is committed to meeting the needs and wants of the audience as much as possible through intensive interaction with its visitors and tailored content. Kinepolis is committed to positioning itself as the best marketer by responding to the expectations of various target groups.



KINEPOLIS WANTS TO BE THE BEST REAL ESTATE MANAGER

Kinepolis is committed to managing, using and developing its unique real estate portfolio optimally.

The ultimate movie experience

All pillars are focused on creating the *ultimate movie experience*, a cinema concept that revolves around the total experience of the visitor. Kinepolis' efforts were rewarded with a 'Global Achievement in Exhibition' Award in 2014 as the world's best cinema operator and with European recognition in 2017 as 'International Exhibitor of the Year'.



B2B conference at Kinopolis Leuven (BE)

The Kinopolis concept

CUSTOMER-FOCUSED INNOVATION

Kinopolis sets trends and constantly invests in innovation and an optimal customer experience. In recent years this drive to innovate has led to the transformation of the cinema into a versatile multimedia center, the latest projection and sound technologies, mobile ticketing, trend-setting events and refreshing marketing approaches.

In addition to innovations to enhance the film experience, Kinopolis also works hard to improve the pre- and post-movie experience, and constantly designs new shop and interior concepts (such as Sushicque and Great Escape).

Due to their innovative infrastructure Kinopolis cinemas are also ideal B2B venues for conferences, premières and corporate events.

As regards content, a permanent offering of eye-catching events and alternative content, such as concerts, art, opera and ballet, complements the regular movie program.

RELATIONSHIP MARKETING

As a film expert, Kinopolis is committed to providing the best possible response to the preferences of its visitors. Kinopolis wants to offer the ultimate movie experience, based on a thorough understanding of its customers – making use of an innovative digital relationship marketing system – and a tailored offering. Millions of customers receive film and event recommendations by email, on the app and on the website based on their personal preferences.

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



MARKETING AS A SERVICE

Kinopolis is able to reach 3.7 million customers through email marketing (a 21% increase versus 2016). This is around one third of all visitors in virtually every country where Kinopolis is active. In total, more than 123 000 000 emails were sent in 2017. These are targeted emails that are exclusively sent to a limited target group, based on the knowledge Kinopolis has acquired about its customers. For example, the average email in Belgium is sent to only 7% of the addresses in the database. The other 93% are not contacted, because Kinopolis does not feel the message is relevant enough to those customers.



Art in the cinema 2018: Van Gogh



OPERA & ART IN THE CINEMA

In recent years Kinopolis has developed an impressive alternative program, including opera, ballet, theatre and art exhibitions. There are regular screenings in Belgium, France, Spain, Switzerland, the Netherlands and Luxembourg, in association with partners such as the MET, the Royal Opera House and the Bolshoi.

ACTIVE PROGRAMMING

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



Opera in the cinema 2017: The Magic Flute



Indian Bollywood movie: Padmavati



MULTICULTURAL PROGRAMMING

In multicultural cities, Kinopolis regularly programs films for specific target groups, such as Indian Bollywood blockbusters and Turkish hits. More than 80 000 visitors saw the popular Turkish film 'Recep İvedik 5' at one of the Belgian Kinopolis cinemas in 2017.



Turkish blockbuster: Recep İvedik 5

Innovation in the spotlight

Kinepolis sets trends and constantly invests in innovation and an optimal customer experience. In recent years this innovative strategy has led to the transformation of the cinema into a versatile multimedia center, the latest projection and sound technologies, mobile ticketing, trend-setting events, new shop and experience concepts and refreshing marketing approaches.

★ NEW VISTA ERP SYSTEM

Since April 2017, the new Kinepolis cinema ERP system, Vista, has become operational in all cinemas. Vista is the software package behind all important operational processes, from film description to popcorn sales. The new system offers uniformity and enables the central management of data, which is important in the light of the current and future growth of the Group.

★ COSY SEATING

The Cosy Seating concept has been well received by customers and in 2017 Kinepolis installed even more Cosy seats in its Belgian cinemas (Antwerp, Ghent, Kortrijk, Hasselt, Braine-l'Alleud, Bruges, Brussels). These seats offer even greater comfort and convenience, with extra wide armrests, a handy table for drinks and snacks and a coat hanger. Visitors can choose Cosy Seats for a supplement on the normal ticket price.

STATE-OF-THE-ART CINEMA TECHNOLOGY

★ LASER PROJECTION

Laser projectors guarantee a razor-sharp image and consume up to 40% less power than traditional xenon-lamp projectors. Laser provides more stable light, more light in the corners of the screen and a higher contrast. The light is easier to adjust, too, ensuring that the right amount of light is projected every time, in both 2D and 3D. Forty-four (European) Kinepolis screens are currently equipped with a laser projector. Four cinemas are exclusively equipped with laser projectors: Kinepolis Breda, Jaarbeurs Utrecht (NL), Fenouillet (FR) and Nevada (ES).



Laser ULTRA combines two revolutionary technologies: Barco's best laser projector and the immersive Dolby Atmos sound system.



IMAX Kinepolis Brussels (BE)



Cosy Seating: comfortable seats with extra wide armrests, a handy table and a coat hanger.



4DX: a revolutionary cinematography technology that stimulates all senses.

★ **DOLBY ATMOS**

Dolby Atmos is an immersive sound system that creates a breathtaking aural experience in all directions. No fewer than 64 speakers ensure a clear and rich spatial sound environment that sweeps visitors along the on-screen action.

★ **LASER ULTRA**

With Laser ULTRA Kinopolis combines the unique image quality of Barco's best laser projector with the immersive Dolby Atmos sound system. Together, these two technologies give visitors an even more intense film experience, a feeling that they are in the center of the action. Kinopolis now has seven Laser ULTRA screens (one each in Antwerp (BE), Ghent (BE), Fenouillet (FR), Lomme (FR) and Madrid (ES), and two in Utrecht (NL)). In 2018 Kinopolis will equip even more cinemas with a Laser ULTRA screen.

★ **4DX**

In December 2017 and January 2018 Kinopolis opened four 4DX theatres, one each in Brussels and Antwerp (BE), Madrid (ES) and Lomme (FR). With 4DX Kinopolis adds a fourth dimension to the cinema experience: rather than simply watching,

visitors are actually part of the action. Moving seats and environmental effects like wind, water, smells and light are perfectly synchronized with the on-screen action to create an unprecedented immersive movie-going experience that stimulates all senses. Every year 4DX works with big Hollywood studios on the release of various action, animation, horror and fantasy movies.

4DX fits in with the continued diversification of the Kinopolis offer, with the goal of meeting the expectations of different target groups.

★ **IMAX**

Since December 2016, movie-lovers can enjoy the sharpest, clearest, most vivid digital images on a 532m² screen at Kinopolis Brussels (BE). The IMAX screen is equipped with a 4 K laser projector and offers an immersive audio experience.

The Kinopolis Innovation Award 2017 was presented to the initiators of the idea of the escape rooms.



INNOVATION LAB

Two years ago, Kinopolis launched its Innovation Lab, an in-house entrepreneurial platform based on the

conviction that new, surprising ideas are the oxygen a company needs to remain successful and the realization that Kinopolis has many people that may have some good ideas.

The Innovation Lab encourages everyone at Kinopolis – from student to manager – to think outside the box and dare to be ‘entrepreneurial’.

As such, next to a self-learning organization, Kinopolis also wants to be a self-innovating organization.

Every quarter, the best ideas are selected and teams are put together to flesh them out and implement them. The Innovation Lab also ensures that employees work together more, regardless of their departments. The best idea to come from the Kinopolis Innovation Lab is rewarded with an annual Innovation Award. Employees whose ideas are selected are also rewarded with an ‘entrepreneur bonus’ – regardless of the subsequent performance of the idea in practice.

The Spanish sushi bars (Sushicque) and the Great Escape in Leuven (BE) are just a couple of projects that were developed within the Innovation Lab.



‘Sushicque’, sushibar concept, which was trialed in the Innovation Lab.



Innovation Lab 2.0 campaign, including life-size displays and mirror stickers



The first 'Great Escape' rooms at Kinopolis Leuven (BE)

★ GREAT ESCAPE BY KINEPOLIS

At the end of 2017 Kinopolis launched a new experience concept: the Great Escape. Friends, families or colleagues are locked into a space for a one-hour team-based competitive activity.

At the beginning of December Kinopolis opened two escape rooms close to the cinema in Leuven (BE). Teams of two to six people are locked in the escape room. They have an hour to solve a number of puzzles and riddles to open the door and escape: a life-size game of Cluedo that rewards logical thought and teamwork. Kinopolis is looking to open another Great Escape in Granada (ES) in 2018.



CEO Eddy Duquenne receives the 'International Exhibitor of the Year' award at CineEurope in Barcelona.

'INTERNATIONAL EXHIBITOR OF THE YEAR' AWARD

Eddy Duquenne, CEO of Kinopolis Group, was presented with the International Exhibitor of the Year Award during CineEurope in Barcelona on 22 June 2017.

Every year UNIC and the Film Expo Group present this award to a cinema operator whose performance, developments, growth and market leadership make it a flagbearer for the industry. Albert Bert was also presented with this award in 1997, the year Kinopolis Group was formed, precisely 20 years ago.

UNIC President Phil Clapp:

“ Kinopolis is a leader in recent innovations to improve the big screen experience and continues to develop new and surprising approaches. In doing so, it stresses that customers must remain in the centre of the business. This award is certainly a fitting recognition for the performance of Eddy and his colleagues.”

Our organization

The structure of Kinopolis Group is tailored to its geographic markets and is characterized by a flat organization in which decisions can be taken quickly.

The organization consists of **seven core businesses**: Box Office, In-Theatre Sales, Business-to-Business, screen advertising (Brightfish), film distribution (KFD), Real Estate and Digital Cinema Services.



Be the star of the day at Family at the Movies.



New 'premium caramel' popcorn



Ladies at the Movies has a different theme each time.



Box Office

CORE BUSINESSES

★ BOX OFFICE

Box Office comprises the sale of cinema tickets. Performance here is highly dependent on a number of external factors, including film content, weather and holiday periods. Kinopolis reaches a wide range of movie lovers and culture vultures by constantly optimizing cinema capacity and seat occupancy with a varied film and cultural offering. With its active programming approach Kinopolis' goal is to offer something to various target groups at all times during the year. The regular film offering is permanently complemented with events (such as 'Ladies at the Movies' and 'Horror Nights' or 'Obscure Night') and alternative content, such as art, opera and ballet.

★ IN-THEATRE SALES

In-theatre sales (ITS) comprises all activities relating to the sale of beverages and snacks in the cinemas. This business has become more important in recent years due to innovations in infrastructure and offering. Virtually all Kinopolis complexes now have a self-service shop, which is a decisive factor in the increasing success of ITS. The shop's offering is complemented with specific local initiatives.

As well as the self-service shop, Kinopolis also offers other ITS concepts, such as the coffee corners, the Leonidas Chocolates Café in Antwerp and the Sushicque in Spain.

In line with the large selection of movies, a varied range of refreshments is offered to meet the tastes of various target groups. Kinopolis targets a unique experience, which also covers the time before and after the movie.



In-theatre sales



Kinepolis cinemas present themselves as excellent B2B locations.



NEW B2B SPACE 'THE LOFT' AT KINEPOLIS ANTWERP

A brand-new event space was opened at Kinepolis Antwerp (BE) in September 2017: The Loft is a 350m² space accommodating between 350 and 500 people, with its own entrance and a fantastic view of the site.



KFD première 'Het Tweede Gelaat', Kinepolis Antwerp (BE)

★ BUSINESS-TO-BUSINESS

The business-to-business (B2B) activity is built upon a privileged relationship with the business community and an innovative offering. Since the digitization, Kinepolis cinemas, with their advanced, flexible infrastructure, are also ideal B2B venues for conferences, premieres and corporate events. Kinepolis' B2B teams launch and run campaigns in association with companies and stimulate the sale of events and cinemas vouchers. The cinema is also the ideal venue for companies that wish to raise their profile through targeted advertising campaigns. Screen advertising, sampling, product placement, advertising panels and digital screens in the foyers also play their part in that.

★ FILM DISTRIBUTION

Kinepolis Film Distribution (KFD) focuses on distributing international and domestic movies in Belgium and Luxembourg. As a specialist in Flemish movies KFD has earned a strong position in Belgium. Through KFD Kinepolis stimulates the production and promotion of Flemish film in its role as a media company.

KFD also works closely with other partners, including Dutch FilmWorks (DFW). DFW is the largest independent film distributor in the Netherlands. In this partnership KFD distributes DFW catalog films in Belgium and Luxembourg.



BRIGHTFISH

★ **SCREEN ADVERTISING**

With the acquisition of advertising agency Brightfish at the end of 2011, Kinopolis launched a new core business in Belgium. It also ensured that the Belgian cinema industry once again had a stable partner for screen advertising. Brightfish offers a wide array of media channels in and around the cinema for everyone who wishes to communicate with cinema visitors in a targeted way.

★ **REAL ESTATE**

Real Estate is a separate business unit within Kinopolis tasked with coordinating the management, utilization and development of the Group's property portfolio. Kinopolis has a unique real estate position, a situation that sets it apart from many other cinema operators, as the Group owns many of its complexes. In early 2018 Kinopolis had a portfolio of 94 cinemas, 43 of them owned by the company.

More than 70 000m² is let to third parties. Footfall at these businesses (mainly shops and cafes) is mostly generated by the presence of the cinema complex.

★ **DIGITAL CINEMA SERVICES**

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



Restaurant
5th Avenue, Kinopolis
Breda (NL)



The megaplex Kinopolis Jaarbeurs was officially opened in the center of Utrecht in March 2017.

Expansion

Kinepolis wants to introduce its unique cinema concept in new markets and for new target groups to help create additional value for all stakeholders. In recent years Kinepolis has taken some big steps in the implementation of its expansion strategy.



Landmark Cinema, Country Hills (CA)



The new Landmark cinema in St. Alberta opened on 15 February 2018.



Recliner auditorium, Landmark Calgary, Country Hills (CA)

EXCEPTIONAL YEAR OF EXPANSION

2017 was another exceptional year of expansion for Kinopolis, particularly due to the acquisition of the Canadian cinema group Landmark Cinemas in December 2017, the first time that the Group has expanded outside of Europe. Just before the end of the year, Kinopolis also negotiated an agreement to acquire NH Bioscopen in the Netherlands. As such, over the past year, the Kinopolis cinema portfolio grew from 49 complexes to 94.

Previously acquired cinemas have been successfully integrated and work is ongoing on bringing the newly opened cinemas up to speed. In 2017 again, significant investments were made in strengthening the organization to support the Group expansion.

A NEW MARKET: CANADA

With the acquisition of the Canadian cinema group Landmark Cinemas, Kinopolis enters a non-European market for the first time.

Kinopolis reached agreement with the Landmark Cinemas shareholders in mid-September, but the acquisition was subject to the approval of the Canadian regulators. The minister of Canadian Heritage gave the green light on 7 December 2017, allowing Kinopolis to finalize the acquisition.

Headquartered in Calgary (Alberta, Canada), Landmark Cinemas had 44 movie theatres ⁽¹⁾ of various sizes at the moment of the acquisition, all situated in central and western Canada. The 44 acquired Landmark Cinemas movie theatres offer some 55 000 seats in 303 auditoriums, attracting 10.2 million visitors in 2016 and posting turnover of CAD 156.3 million. The company is the second largest cinema operator in Canada, with 10% of the market.

Three in four cinemas are leased. These generate 95% of all visitors. The group has two megaplexes (more than 16 screens), 17 multiplexes (more than 8 screens) and 25 smaller cinemas, spread over six Canadian provinces. Landmark Cinemas generates 92% of its turnover in the biggest regions, Ontario, British Columbia and Alberta. Five cinemas have an IMAX screen, another five have Premium Large Format (PLF) screens and 8 complexes offer the recliner seat concept.

The acquisition fits in with the Kinopolis expansion strategy and enables the group to enter a new market, characterized by a healthy macroeconomic outlook, a growing population and a favorable business climate.

(1) The single-screen 297-seat cinema in Weyburn (Saskatchewan) has been closed. A new cinema was opened in St. Alberta on 15 February 2018.

The entry into a new continent ensures a better geographical spread of Kinopolis activities, while also creating new growth opportunities through acquisitions and new-build projects. The acquisition agreement with Landmark Cinemas already included two new-build projects. The new cinema in St. Alberta opened on 15 February 2018. The new-build project in Fort McMurray concerns the replacement of an existing cinema. Next to the aforementioned projects, the agreement also includes plans for more new-build cinemas.

The acquisition represents an enterprise value of CAD 122.7 million, which corresponds to an acquisition price of € 81.4 million at an exchange rate of 1.5.

Kinopolis runs the Canadian group, which employs 1 450 people, through a local executive management board, formed by the current management of Landmark Cinemas assisted by an integration team to facilitate the integration and adapt the Kinopolis strategy to suit the Canadian market. Kinopolis will remain active in Canada under the Landmark Cinemas brand.

LANDMARK'S MAIN STRATEGIC INNOVATIONS

Landmark Cinemas expanded strongly in 2013 with the acquisition of Empire Theatres and has since then successfully devoted itself to improving the customer experience, by means of, among other things, the introduction of recliner seats and the ATOM social ticketing system.

★ CONVERSION TO RECLINER SEATS

A recliner seat is the most comfortable cinema seat ever. Visitors have more space to sit, the seat has leg and foot supports and can be reclined into a lying position. Eight Landmark Cinemas movie theatres are already equipped with recliner seats.

★ ATOM SOCIAL TICKETING SYSTEM

Landmark was the first cinema operator on the North American market to introduce the ATOM social ticketing system across all of its cinemas. This is an advanced mobile ticketing app that can also be used to order drinks and snacks in advance. Payment is being done through the app. Visitors get to skip the line, pick up their snacks and go straight to their seats. It is also the ideal way to plan a cinema visit with friends. Each person in the group can pay for their own purchase as desired.



A recliner seat is the most comfortable cinema seat ever.



Landmark cinema Country Hills (CA)

Brian McIntosh and Neil Campbell of Landmark Cinemas:

“*The innovative and entrepreneurial culture we have built up over the past 52 years is a perfect fit with Kinopolis. Being part of the Kinopolis family is a fantastic opportunity for everyone at Landmark and it will give Canadian movie-lovers great access to world-class cinema experiences.*”

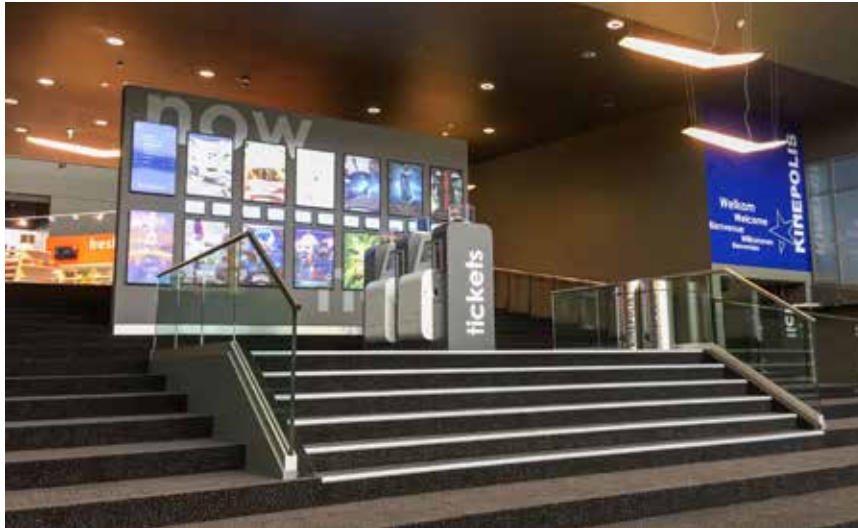
Eddy Duquette, CEO Kinopolis Group:

“*This is an opportunity for both groups. We are both passionate about customer experience and we can learn from each other.*”

NH Bioscoop cinema CineMeerse
Hoofddorp (NL)



Artist impression of Kinepolis 's-Hertogenbosch (NL)



Kinepolis Almere (NL), after the remodeling in 2017.



Artist impression of Kinepolis Haarlem (NL)

NETHERLANDS

After the acquisition of Wolff Bioscopen and the Dutch Utopolis cinemas in 2014 and 2015 respectively, on 1 January 2018 Kinepolis acquired the Dutch NH Bioscopen cinemas in Hoofddorp and Schagen. The acquisition agreement also contains plans for a new-build cinema in Haarlem (Netherlands).

Kinepolis entered the Dutch market in 2014 and now has 17 cinema complexes, totaling 117 screens and more than 22 000 seats. As well as the three newly opened cinemas in 2016 (Dordrecht, Breda and Utrecht), various Wolff and Utopolis cinemas have now been converted to the Kinepolis concept. It was the turn of the cinema in Almere in 2017. Utopolis Almere was rebranded as Kinepolis Almere. The cinema was equipped with the characteristic Kinepolis self-service shop, ticketing machines and the interior was thoroughly revamped. The first phase of the renovation of Utopolis Emmen has also been completed. The facade was revamped and equipped with the Kinepolis logo. The interior will be renovated in 2018.

Kinepolis has plans for further expansion in the Netherlands in 2018. Construction of a new cinema in 's-Hertogenbosch (Netherlands) has started. The cinema will be built in the Paleiskwartier district and will have seven screens, with around 1 000 seats in total. The Paleiskwartier is an inner-city district currently under development next to 's-Hertogenbosch central train station. The cinema will be nestled among offices, apartments, a supermarket and a restaurant. It is set to open in the second quarter of 2018. It will be the second Kinepolis complex in the province of North Brabant, after Kinepolis Breda.

The construction of the new cinema in Haarlem (under the agreement with NH Bioscopen) will in all likelihood also commence in 2018. This cinema will have six screens and around 850 seats. Kinepolis is waiting for the required permits before launching this project.

3D drawing of the new arthouse cinema in Metz (FR)

© Minala Design Strategy



FRANCE

In France, work continued on the construction of a new cinema in Brétigny-sur-Orge, 35 kilometers south of Paris. As the first Kinopolis cinema in Île-de-France, this new-build will be part of the 'Les Promenades de Brétigny' retail park. The cinema will have 10 screens and 1 530 seats. Immochan rents a wind-tight building with 6 500m² in floor space to Kinopolis. Kinopolis will take care of all cinema interiors and finishing. The cinema is scheduled to open in the third quarter of 2018.

In Metz, Kinopolis took over the running of the downtown Palace cinema at the beginning of 2018. The cinema closed its doors at the beginning of January 2018 for a full renovation that will take six months. In June 2018, Kinopolis will open a new arthouse cinema with seven screens and 984 seats. The cinema will have its own arthouse concept (developed by Kinopolis) and will not be operated under the Kinopolis brand. Kinopolis is committed to working closely with the city of Metz to support various cultural projects (including exhibitions). In the same 'Quartier de l'Amphithéâtre' neighborhood Kinopolis plans to build a new cinema with a more commercial movie program. The formalities are still being worked out for this cinema.



Artist's impression Kinopolis Brétigny-sur-Orge (FR)

LUXEMBOURG

In 2017 renovations were carried out at Utopolis Kirchberg and Utopolis Belval (both acquired in 2015) in Luxembourg. Automated ticket machines were installed in both complexes. At Kirchberg all the seats and carpeting were replaced and the Cosy Seating concept was introduced. More extensive work will be done on the Kirchberg complex in 2018. As part of the remodeling, the cinema will be equipped with a Laser ULTRA screen and the Utopolis sign on the facade will be replaced with the Kinopolis logo.

Kinopolis continues to invest in expansion, evaluating several projects in various countries – both potential acquisitions and new-build. The Group policy is not to make any announcements on expansion projects until they are finalized and all formalities have been completed.



General market information

Across Europe, visitor numbers increased in 2017 compared with the previous year. Western Europe (18 countries) posted a fall of 1.6% (14 million visitors) with 881.2 million visitors in 2017, whereas in Eastern and Central Europe and the Mediterranean (18 countries) total visitor numbers increased again by 10.1%, from 406.4 million in 2016 to 447.4 million in 2017.

The Western European countries with the greatest rise in visitor numbers in 2017 were the Netherlands (+5.3%), Portugal (+4.4%), Ireland (+2.1%) and Finland (+3.6%).

In Eastern and Central Europe and the Mediterranean, Serbia (+27.7%), Turkey (+22.1%), Slovakia (+18.1%) and Lithuania (+10.7%) posted the biggest rise compared to the previous year. Russia (for the first time not France) was the market leader in cinema visitor numbers with 213.6 million visitors.

The European countries with a sharp decrease in 2017 compared with 2016 were Liechtenstein, Norway, Denmark, Iceland and Sweden. Belgium, Switzerland and Greece remained virtually stable.

DIGITIZATION IN EUROPE

Up to and including 30 June 2017, 39 247 digital screens were counted in Europe. That represents a rise of 1.5% compared with 1 January 2017.

The number of 3D screens rose 1.3% in the first half of 2017 to 19 842 screens.

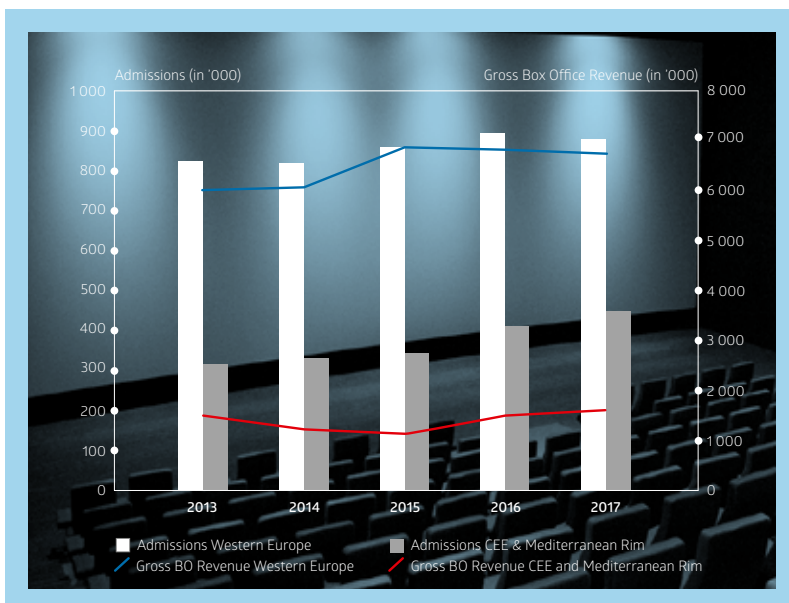
The biggest rise in the number of digital screens was seen in Russia, the United Kingdom and Turkey. The number of 3D screens increased most in Russia, Turkey and the Netherlands.

CINEMAGOING IN EUROPE ⁽¹⁾

	2013	2014	2015	2016	2017
Total admissions in Europe (in '000)					
Admissions Western Europe	819 517	816 517	865 959	895 702	881 234
Admissions CEE and Mediterranean Rim	317 143	334 461	344 543	406 415	447 442
TOTAL	1 136 660	1 150 978	1 210 502	1 302 117	1 328 676
Gross Box Office Revenue in Europe (in '000 €)					
Gross BO Revenue Western Europe	6 023 719	6 047 085	6 797 547	6 760 584	6 673 118
Gross BO Revenue CEE and Mediterranean Rim	1 503 639	1 251 143	1 240 055	1 546 630	1 650 188
TOTAL	7 527 358	7 298 228	8 037 602	8 308 214	8 323 306
Average ticket prices (€)					
ATP Western Europe	7.35	7.41	7.85	7.55	7.57
ATP CEE and Mediterranean Rim	4.74	3.74	3.60	3.81	3.69
TOTAL	6.62	6.34	6.64	6.38	6.26

Source: Mediasalles - Advanced News of Cinema-Going in Europe in 2017.

(1) All figures stated for 2017 are provisional. The final figures will be published at mediasalles.it later in the year.



03 GREEN STAR

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

Sustainable investment in people and planet





The principles of **Corporate Social Responsibility** (CSR) have been fleshed out at Kinopolis in its Green Star policy.

For years, Kinopolis prioritizes the social, ecological and cultural consequences of its operations and **Green Star**, in all its facets, is a guiding principle in the daily decision-making processes and activities of the company.





Concern for customers.



CONTEXT AND METHODOLOGY

In 2017 Kinepolis made the decision to structure its CSR approach within the framework of the internationally recognized ISO26000 standard (*Guidance on social responsibility*). In accordance with this standard, at the end of 2017 a relevancy and significance assessment was conducted of the various CSR aspects, and their related risks, affecting the company. This was done by a number of members of the Board of Directors along with senior management. The relevance and significance for Kinepolis itself and for its various stakeholders (including employees, customers, suppliers, investors and government) were examined.

The assessment identified the following three aspects of CSR as most relevant for the organization:

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

The Kinepolis policy in each of these domains is set out in more detail below. For Environment and Employees, we also refer to the description of the main business risks (pp. 70-72).

★ WELLBEING OF CUSTOMERS

Kinepolis is committed to taking care of its customers, by informing them clearly, interacting with them and responding to their expectations.

In doing so, Kinepolis takes into account all social groups, which is reflected in the film program and the facilities in its cinemas.

★ WELLBEING OF EMPLOYEES

Employee wellbeing is an important part of Green Star. Kinepolis works hard to develop talent and encourage employees to get the best out of themselves. A happy employee creates happy customers and partners. The Kinepolis human capital policy provides for various training programs and career guidance. The annual measurement of employee satisfaction enables Kinepolis to closely monitor the application of this policy and develop it further.

★ CARE FOR THE ENVIRONMENT

Kinepolis is also committed to assuming its environmental care responsibilities. The comfort and convenience of visitors and employees are important factors in all renovation and new-build work on and in Kinepolis premises. At the same time, the company constantly works to reduce its ecological footprint by introducing innovative low-energy materials and structural applications. In recent years, technological advancements have also enabled the cinemas to significantly reduce the ecological impact of their operations. Examples are the digitization of projection systems and the upsurge in online and mobile transactions. Kinepolis closely monitors new technologies and initiatives to ensure a fast response to social and ecological trends where appropriate.



Wellbeing of employees: Kinepolis invests in talent development.



Care for the environment: digitization of projection systems.



Care for the environment: online and mobile transactions contribute to reducing the ecological impact of cinema operations.

★ INTEGRITY IN BUSINESS

Next to these three pillars, Kinepolis has a strict policy with regard to corruption and bribery and efforts are made to raise awareness of that policy among employees and management. Integrity is always a touchstone in Kinepolis operations.

Over the coming years Kinepolis is committed to further developing its sustainability policy and intensifying its efforts in various areas. As part of this, the potential risks relating to this topics will be assessed again over the next year and it will be examined whether adequate policy measures have been provided for to limit these risks. KPIs will also be established to measure how effective and efficient these policy measures are.

Kinepolis also invites its employees, partners and visitors to further put into practice and develop its Green Star policy.



EXPLANATION

WITH REGARD TO THE CANADIAN ACTIVITIES OF KINEPOLIS

On 7 December 2017, Kinepolis finalized the acquisition of the **Canadian cinema group Landmark Cinemas**. As it was under its ownership for only three weeks in 2017, Kinepolis has decided to report on its Canadian activities in this chapter only sporadically, if at all. In the coming years Kinepolis is committed to implementing as much of its corporate social responsibility policy – as set out in this chapter – as possible in the Canadian organization. The focus will be on the rapid implementation of its human capital policy by means of the introduction of the Kinepolis Academy, the Kinepolis University and the Kinepolis talent management strategy, as well as supporting the Canadian cultural identity and diversity as part of its programming strategy.



Our customers

At Kinepolis the customer experience is key, which is why customer satisfaction and care for customers in all aspects of the Kinepolis customer journey is of the utmost importance. Kinepolis pursues an inclusive policy, with attention for all social target groups.

CUSTOMER SATISFACTION INDEX

Kinepolis has developed a Customer Satisfaction Index (CSI). All visitors who buy a ticket online and leave their email address receive an invitation within 24 hours to tell Kinepolis about their experience. People who do not buy their tickets online are able to share their opinions via the CSI form on the Kinepolis website. The questions relate to various aspects of the customer experience: how they liked the film, the quality of the picture and sound, service, tidiness, customer friendliness, waiting times and so on. Customers are also able to make suggestions.

The CSI enables Kinepolis to continually collect highly detailed customer feedback. CSI results are reported and assessed on a daily basis at team, cinema and country level. **Kinepolis constantly refines its operational management and film programming on the basis of this customer feedback.** Comments about seat comfort, for example, are immediately passed on to the relevant department and the seat in question will be checked immediately and repaired as needed.

The CSI is also an essential KPI – alongside the PSI and financial parameters – for assessing the performance of cinema complexes, managers and employees. Kinepolis receives some 300 000 completed feedback forms every year, in Belgium alone. The response in all countries is more than high enough to give a representative picture of customer satisfaction.

NPS: CUSTOMERS ADVISE CUSTOMERS

As part of the Customer Satisfaction Index, Kinepolis measures the Net Promotor Score (NPS) of every film on its program. The NPS shows the degree to which visitors would recommend a film to others. The Net Promotor Score is given due consideration every week when programming films, making it an important indicator of how long a film will run in the cinema. Kinepolis always publishes the Net Promotor Score for each film on its website, even if it is negative. As such, customers advise each other about which films to see, with Kinepolis as facilitator. The NPS also plays a role in the recommendations Kinepolis makes to customers. That's because the NPS is a factor in the Kinepolis recommendation engine: a piece of artificial intelligence that endeavors to identify which films that are currently being screened will appeal to the customer.

CUSTOMER SUPPORT

Kinepolis wants to be accessible to customers as much as possible and is committed to responding to questions and comments as fast as possible. A long list of frequently asked questions with answers is posted on the Kinepolis website to ensure that customers are well informed and can help themselves. The list is regularly updated, based on customer contacts. Kinepolis proactively directs online customers to this FAQ section. If they do not find the answer they are looking for, they can use the contact form on

© Photo: Knack Weekend



Films with regional roots, such as 'Opa' at Kinepolis Kortrijk (Belgium).

Cultural program with opera, ballet, art and theatre.



A long FAQ is posted on the Kinepolis website to ensure that customers are well informed.



Gift voucher boxes

the Kinepolis website. The contact form is designed to ensure that the question is immediately forwarded to the right person or cinema. If there are any problems or questions in the cinema, customers can always address the staff. In busy periods an external call center is used to take the pressure away from the cinemas and minimize waiting times. Customer questions are also answered on social media (Twitter, Facebook).

PROTECTION OF CUSTOMER DATA

As part of its relationship marketing strategy and "Marketing as a Service" credo, Kinepolis collects data on its customers. This enables Kinepolis to tailor its operational management to meet the expectations of customers, while the customers receive relevant film and event recommendations based on the data in their personal profile. The purpose of the European Union's General Data Protection Regulation (GDPR) that will come into effect on 25 May 2018 is to improve how personal data is protected and this will obviously affect how we use and store customer data. Kinepolis began preparing for GDPR early in 2017.

However, the basic principles in the GDPR have always been followed by Kinepolis when dealing with customer data:

- Kinepolis has a data processing policy that is transparent for its customers;
- The primary goal of collecting and processing customer data is to improve the service to customers;
- Kinepolis takes the data-related rights of its customers very seriously and makes it easy for them to exercise these rights;
- Kinepolis has a strictly organizational and technical security policy with regard to its customer data.

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

A FILM PROGRAM FOR EVERYONE

Kinepolis is committed to ensuring that the film program always appeals to various target groups, including social (ethnic and cultural) minorities. Next to blockbusters, Kinepolis programs and promotes many local and ethnic films and has developed its

own successful cultural program, covering opera, ballet, art and theatre on the big screen. Kinopolis always tailors its offering to the audience of a given cinema, taking into account, among other things, demographic factors, regional identity and cultural offer.

For example, Kinopolis programs Bollywood blockbusters and Turkish hits in multicultural cities with large subcontinent and/or Turkish communities. 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 (such as 'Opa' in Kortrijk).

In Belgium, Kinopolis also invests in the production and promotion of local Flemish films through Kinopolis Film Distribution. In the opinion of

Kinopolis, 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.

NOISE REGULATIONS

Protecting the hearing of visitors is something that Kinopolis takes very seriously. To that end, Kinopolis strictly applies the general national noise regulations. Among other things, this means that Kinopolis:

- Calibrates all its auditoriums every year;
- Meticulously checks the sound settings every two weeks;
- Checks the maximum sound pressure level of the various program types (such as the supporting program and children's films);
- Always adapts the volume to suit the type of program and the size of the auditorium.



Kinopolis has developed a special schools program with attention for topical subjects.



In 2017 Kinopolis launched the Whatscine app in Spain, which offers audio description, subtitles and sign language.



Kinopolis sites have fenced off cycle parking facilities.



WHEELCHAIR ACCESS

Kinepolis is committed to making as many auditoriums as possible accessible to wheelchair users. Almost 90% of all Kinepolis auditoriums⁽³⁾ 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 with outdated facilities that include auditoriums that are not wheelchair accessible, Kinepolis makes sure 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 about whether auditoriums have wheelchair access, both online and on site.

ACCESSIBILITY FOR PEOPLE WITH A VISUAL OR AUDITORY IMPAIRMENT

In France Kinepolis installed the Twavox system in all its cinemas. This enables people with a visual or auditory impairment to adjust (increase or even out) the sound to meet their needs with an app on their smartphone and a pair of headphones. People with a visual impairment can also make use of audio description.

In 2017 Kinepolis released a similar cinema app in Valencia, Madrid and Granada (Spain). In the Whatscine app users can choose from audio description, subtitles and sign language on their smartphone, perfectly synchronized with the action on the screen, enabling everyone with impaired hearing or sight to enjoy the latest films. In this way Kinepolis promotes the accessibility of cinema for everyone.

MOBILITY

Kinepolis encourages the use of alternative transport to rule out traffic problems around its multiplexes. Customers are kept informed as well as possible about the different ways to get to

the cinema. Most Kinepolis sites offer covered cycle parking facilities and where possible the site is made accessible and open to public transport. In 2018 there will be investments in additional cycle parking facilities, in Ghent among other places.

SOCIAL ENGAGEMENT

Kinepolis is aware of its sociocultural responsibilities and is committed to create **a film program that reflects the diversity of our society today**. Kinepolis' multicultural programming (see p. 17) and special screenings for senior citizens are concrete examples of Kinepolis' inclusive programming policy, with attention for all social target groups.

In B2B, Kinepolis has created a **schools program** in which attention is given to current topics in the curriculum and films are offered together with an educational dossier. Schools enjoy very attractive prices. Films can be used as a catalyst for discussion (about such subjects as bullying and safe internet use) or to introduce children to another language or culture (such as 'Cinéperles', which help introduce Dutch-speaking children in Belgium to French culture and language).

Kinepolis also wishes to take its social responsibilities and enlarge its social engagement by **supporting charities** by means of sponsoring, patronage, by organizing or supporting benefit campaigns, or by stimulating social employment. In 2017 Kinepolis supported various projects, including 'Make a Wish' and 'Stichting tegen Kanker' (Tournée Minérale) in Belgium, the Red Cross in Spain and 'Bio Kinderrevalidatie' in the Netherlands.

Kinepolis is now working on a more structural CSR program to facilitate and encourage support for charities and engagement in local communities within an international framework.

(3) Wheelchair access per country in detail: 93% of auditoriums in France are accessible, 83% in Belgium, 77% in Luxembourg, 99% in Spain and 92% in the Netherlands.



Our people

More than 3 750 employees ⁽¹⁾ work hard every day to give millions of cinema visitors an unforgettable movie experience. Kinepolis is fully conscious of the fact that the talent and commitment of its employees are what drives its success.

OUR HR POLICY: 'PLUS EST EN NOUS'

More than 3 750 employees ⁽¹⁾ work hard every day to give millions of cinema visitors an unforgettable movie experience. Kinepolis is fully conscious of the fact that the talent and commitment of its employees are what drives its success. With that in mind, Kinepolis pursues a **talent-based HR policy** in which **bottom-up employee participation is encouraged and facilitated as much as possible.**

Kinepolis wants to create a working environment in which:

- Everyone is able to **make optimal use of his or her talents**, both for him or herself and for Kinepolis.
- **Efficient and customer-oriented teamwork** is central.
- The **Kinepolis values are put into daily practice.**
- **Every employee is able to contribute to the further development of the company and its products.**

Employee participation is nourished in two ways:

- Kinepolis wants to be a **self-learning organization**, by giving as many people as possible responsibility for departmental targets and budgets, and encouraging to show initiative and learn from each other.
- Employees in all parts of the organization are encouraged to constantly question accepted wisdom, actively listen to customers, think outside the box and show initiative and enterprise in their job and beyond. In doing so, as well as a self-learning organization, Kinepolis also wants to be a **self-innovating organization**. In this context, the Kinepolis Innovation Lab was set up in 2016.

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

K VALUES

'Client Focus', 'Teamwork', 'Operational Excellence', 'Flexibility' and 'Hands-on' are the behavioral values that every Kinepolis employee works hard to put into practice. Every individual and every team is expected to ensure the customer is central, to work together towards a shared goal, to do his or her job properly and efficiently, to deal with change in a flexible way and show a sense of initiative and entrepreneurship.

TALENT FACTORY

By means of the Talent Factory, Kinepolis provides a framework and a toolset for identifying and coaching talent in order to develop its human capital.

Talents in the company are identified with an eye to development and promotion possibilities. **Internal mobility** leads to greater employee engagement and employability. Throughout the year **talent reviews** are held with managers to identify and spotlight talent and employee development. Employees are encouraged to shape their own career **in open dialogue** with their line manager. Kinepolis highlights internal mobility with the aim of motivating and inspiring employees through an internal communication series 'Talent on the Move'.

⁽¹⁾ Including 1 450 employees of Landmark Cinemas Canada.

Investments are also made in attracting talented individuals elsewhere who can help to further shape and professionalize the growing organization. For example, for the first time a select number of executive traineeships were launched in 2017. The trainees will start an accelerated development path in 2018 to gain knowledge of all aspects of the organization.

KINEPOLIS ACADEMY AND KINEPOLIS UNIVERSITY

Training – for every employee – is another important aspect of the Human Capital policy. Kinopolis Academy helps employees improve their personal skills through **e-learning** among other things.

Many trainings are organized on the work floor, with senior employees assuming a coaching role to help new employees during their onboarding process. There are also **personal coaching courses** for managers through the Kinopolis University. In 2017 Insights Discovery trainings for teams were also launched.

Plus est en Nous



'Client Focus', 'Teamwork', 'Operational Excellence', 'Flexibility' and 'Hands-on' are the behavioral values that every Kinopolis employee works hard to put into practice.



**'TALENT ON THE MOVE':
MOHAMED CHFALMI, THEATRE
MANAGER KINEPOLIS
BRAINE-L'ALLEUD**

Mo Chfalmi was appointed theater manager at the Kinopolis cinema in Braine-l'Alleud in May 2017. Mo has worked at Kinopolis for 12 years and he has done just about every job there is in a cinema complex. He started as a student, worked as a projectionist for a short while, coordinated events, was appointed local manager and now theatre manager.

Mo Chfalmi: *"This job demands an overview of all activities and allows me to enlarge my responsibilities. My ambition is to create an open work environment based on dialogue. I want us to challenge ourselves every day to do better for our customers every day."*

In 2017 Kinopolis welcomed 468 new employees ⁽²⁾ (134 in the Netherlands, 98 in France, 176 in Spain and 60 in Belgium). This concerns both replacements and new positions due to the expansion of the Group. About forty employees have been promoted internally. In Belgium, where expansion was not a factor, almost one in five vacancies was filled by an internal candidate.

(2) Not including Landmark Cinemas Canada, as these activities were only taken into account from 8 December 2017.



SELF-LEARNING ORGANIZATION

In its daily operational management Kinopolis creates and encourages **learning networks**, through its 'operating reviews' among other things. In doing so, Kinopolis invests in a work environment that revolves around feedback and entrepreneurship.

SELF-INNOVATING ORGANIZATION

With the introduction of the Kinopolis **Innovation Lab** (see page 20), which encourages employees to submit innovative ideas and then work them out with a project team, Kinopolis aims to be both a self-learning and a **self-innovating organization**.

PEOPLE SATISFACTION INDEX

Kinopolis measures employee satisfaction every year by means of a People Satisfaction Index (PSI) survey. Employees are invited to share, completely anonymously, their experience of Kinopolis as an employer, indicating what they like and what they feel could be improved. The results are then discussed with the team and actions are worked out in response at the earliest opportunity. Each year's results are processed by the PKZ Institute, an independent HR organization that is responsible for the anonymity and confidentiality of the survey.

In 2017 more than 90% of all Kinopolis employees took part in the survey and general satisfaction remained high.

CONSTRUCTIVE DIALOGUE WITH SOCIAL PARTNERS

Based on the governance framework, in all countries Kinopolis works on a social dialogue and a long-term relationship with its employees and/or involved external employee organizations. In consultation with the social partners, Kinopolis wants to find the best solution 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 is the flexible remuneration system developed for Belgian employees in response to the index-linked rise in 2017.

DIVERSITY

Kinopolis has respect for the individuality of each of its employees and is committed to giving everyone equal opportunities. In its workforce, Kinopolis endeavors to mirror the diversity of society as a whole in terms of age, gender, origin and more.

The five statements that were given the **highest PSI scores** in 2017 were:



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



2. My line manager is available for me.



3. I know what's expected of me.



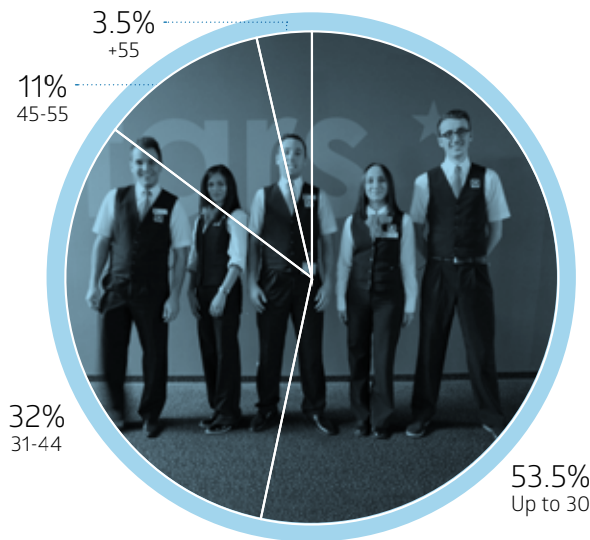
4. There is a good working atmosphere.



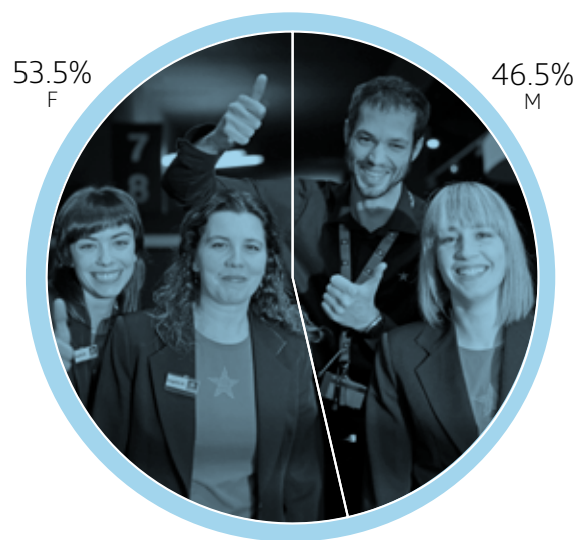
5. I have confidence in the future of Kinopolis.



AGE SPREAD



GENDER SPREAD




DYING FOR A BLOODY GOOD STUDENT JOB?



KINEPOLIS AS FIRST WORK EXPERIENCE FOR STUDENTS

In 2017 Kinopolis employed 1 140 students in Belgium. These students commit themselves to work in the cinema at least one weekday and one weekend day per week. The duties vary: from working at the register or in the shop, to cleaning or coordinating events. As such, Kinopolis gives lots of young people their first experience of work, giving them the opportunity to work in a team and assume responsibilities. Many of them stay with Kinopolis for years and there are numerous examples of students that sign a permanent contact and have a rich career at Kinopolis.

SARA DE COENSEL, STUDENT KINEPOLIS GHENT:

"I go to classes during the day and go to work in the evening. The great thing about Kinopolis is that you can schedule your working hours based on your study timetable. You are not forced to work fixed hours. That flexibility is brilliant; and important for me."

ARNE MOENS, FORMER STUDENT KINEPOLIS GHENT:

"I think the fact that students have fun while they are working is radiated to the customers. We like coming to work, which is why customers here have such a good experience."



Our environment

Kinopolis endeavors to minimize its ecological footprint in its choice of energy sources and building materials and by using spaces flexibly.

SUSTAINABLE PROPERTY

Next to the comfort of visitors and employees, the green parameters are also central concerns for the design of new complexes and the renovation of existing ones. Kinopolis endeavors to minimize its ecological footprint in its choice of energy sources and building materials and by using spaces flexibly.

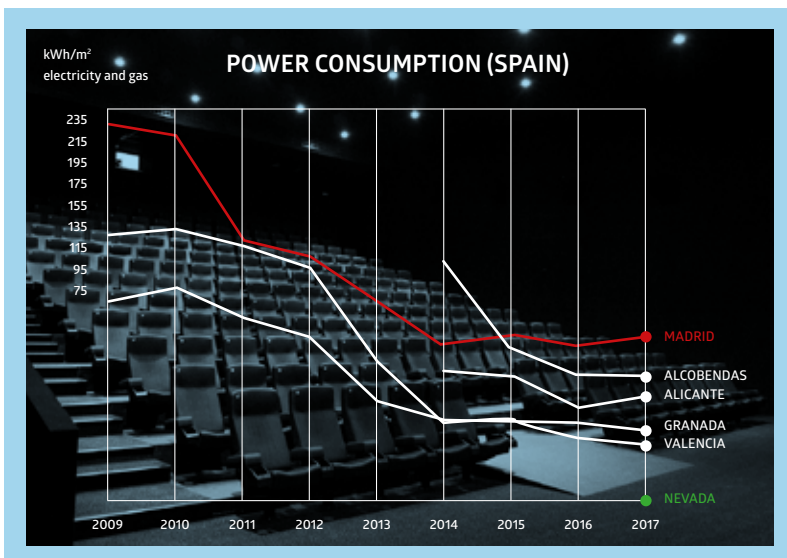
The following Green Star principles are applied for **new-build projects**:

- Using certified materials and techniques with a limited ecological impact.
- Adapting systems to sustainable sources of energy, such as geothermal heating systems in Utrecht, Dordrecht and 's-Hertogenbosch.

- Where possible, cinema complexes are supplied with power from renewable sources (by entering into green power contracts).
- Standard choice of LED lighting.
- Simplicity of maintenance, an important factor in the total cost of ownership (building plus operating costs).
- Using multifunctional spaces for various purposes without major alterations.
- Efficient wall and roof insulation
- Pursuing a sustainability certificate for new-build projects (such as GPR in the Netherlands).
- Installing 'Ipee' technology in toilets.

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

- Placing additional insulation during roofing work.
- Insulating the parking spaces under the theatres
- Using water-permeable asphalt when renovating parking lots to take advantage of the absorption capacity of the soil.
- Installing rain drains to catch surface water.
- Installing new central control systems for heating and refrigeration (such as BaOpt and Optivolt).
- Replacing existing floors in our shops with Gerfloor, 100% recyclable PVC flooring that does not contain any formaldehyde.
- Installing 'Ipee' technology in toilets.



Kinopolis Nevada (recently opened) consumes just 60% of the power consumed by the older Kinopolis complex in Madrid.



Kinepolis Dordrecht (NL) earned an excellent report across the board and already has obtained its GPR certificate.

★ **GPR CERTIFICATION FOR NEW CINEMAS**

Kinepolis works towards GPR certification for all new-build projects in the Netherlands. GPR provides 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 CO₂ emission is measured. Kinepolis Dordrecht earned an excellent report across the board and already has its GPR certificate. The new Kinepolis cinema in 's-Hertogenbosch is also being built to GPR standards.

★ **INNOVATIVE LED CAR PARK LIGHTING**


The Kinepolis Breda car park is exclusively lit by innovative LED lighting, which use 40% less energy than regular LEDs. The lighting also has a cradle-to-cradle certificate. This lighting will also be installed in the Kinepolis Antwerp parking lot in 2018.

★ **APPLICATION OF ENERGY-SAVING TECHNIQUES**

Kinepolis is able to reduce power consumption year after year, due to the intensive monitoring and adjustment of our technical systems. Kinepolis systematically measures and assesses power consumption at its cinemas and takes steps where possible to continue to reduce consumption.

The air conditioning system at Kinepolis Dordrecht is equipped with the innovative **BaOPT system**. This is a revolutionary technology that creates a much more natural and pleasant interior atmosphere while generating a significant reduction in energy consumption.

Since the beginning of 2017 Kinepolis deploys **Optivolt's** energy-saving systems in Belgium and the Netherlands (see box).



OPTIVOLT

Kinepolis first used the Optivolt systems in January 2017 to reduce power consumption at Kinepolis Antwerp by eliminating inefficient consumption. After a positive assessment, nine more Belgian (Ostend, Bruges, Braine-l'Alleud, Leuven, Kortrijk, Ghent, Hasselt, Liege and Brussels) and three Dutch Kinepolis cinemas (Groningen, Enschede and Dordrecht) were equipped with Optivolt V-liners® and MultiLiners® in 2017. The implementation in the Breda, Zoetermeer and Emmen (Netherlands) cinemas was ordered at the beginning of 2018. Optivolt works with engineers to ensure control systems in existing buildings work as efficiently as possible and neutralize peaks in power consumption. A significant reduction in power consumption can be achieved by making sure the systems work efficiently, with special attention for interactions between them. For example, peak capacities have been reduced by around 20%.



Closed popcorn warmers consume between 30% and 60% less power than open ones.

Encouraging waste sorting.



In 2016 virtually all new-build Kinopolis complexes were exclusively equipped with laser projectors.



Years ago, Kinopolis was one of the first cinema operators to introduce numbered and reserved seating.

Kinopolis continues to look for ways to reduce its power consumption. For instance, where possible the heat generated by projectors based on xenon lamps is used to heat the foyers.

And in 2017, open popcorn warmers were replaced by closed ones in various cinema complexes. **Closed popcorn warmers** consume between 30% and 60% less power than open ones. In 2018 Kinopolis will replace another 80 popcorn warmers, which will reduce annual consumption by 292 000 kW.

★ SAVING WATER

Kinopolis is also concerned about its water consumption and implements various measures to reduce and prevent waste. **Ipee technology** was installed in the toilets at several cinema complexes, for instance. These are smart sensors that optimize flushing after every use to ensure maximum hygiene without wasting water. In recent years, Kinopolis has also replaced the traditional washbasins in most complexes with automatic water-efficient faucets based on optical detection.



Lower water consumption with Ipee technology and automatic faucets.



With mobile ticketing, customers are able to buy tickets on their smartphone or tablet and do not need to print them out to go to the cinema.



SUSTAINABLE TECHNOLOGY

★ LASER PROJECTION

A milestone in Kinepolis' sustainability policy was the digitization of the projection systems, which made the chemical production of film and the transport of voluminous rolls of film superfluous. The projection technology has again improved since then and virtually all new-build Kinepolis cinemas in 2016 were exclusively equipped with laser projectors. Laser projectors ensure sublime image quality while also using 40% less energy than xenon lamp projectors. The absence of lamps also reduces the need for cooling and, of course, lamp replacement belongs to the past.

★ ONLINE AND MOBILE TICKETING

The increasing importance of online and mobile ticket sales also reduces the ecological impact of operations. With mobile ticketing, customers are able to buy tickets on their smartphone or tablet and do not need to print them out to go to the cinema. Years ago, Kinepolis was one of the first cinema operators to introduce numbered and reserved seating, as such stimulating online ticket sales.

WASTE SORTING

Kinepolis has long made efforts to limit waste, and to ensure the specialized removal of waste flows.

Where possible, Kinepolis tries to minimize waste. One example is the replacement of the automatic hand towel rolls in toilets with electrical drying systems.

When seats are refurbished, cushions are only replaced in the event of wear. The upholstery is replaced where possible.

Visitors are constantly asked to presort their rubbish. Separate containers at entrances and exits and in the foyer facilitate collection, and waste is collected and processed by specialized companies. The principles of waste sorting are regularly repeated in the preshow (screen announcements ahead of the film).



Integrity in business

KINEPOLIS CORRUPTION AND BRIBERY POLICY

Kinepolis pursues a stringent corruption and bribery policy:

- Kinepolis prohibits the offering and/or payment of bribes to state employees (or the acceptance of such).
- Kinepolis prohibits the direct or indirect offering, promising, payment, demanding or acceptance of bribes or other unlawful advantages to obtain or retain contracts or illegal advantages. Neither does Kinepolis wish to be connected in any way with money laundering.
- Kinepolis does exclusively business with partners who operate in an honest way and who can not be associated in any way with fraude.

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

★ POLICY MEASURES

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

Kinepolis managers are made aware of the corruption and bribery policy in compulsory risk management and check trainings. Employees are encouraged to report potential risk situations to their line manager immediately, so that they can be handled appropriately.





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

RESPECT FOR HUMAN RIGHTS

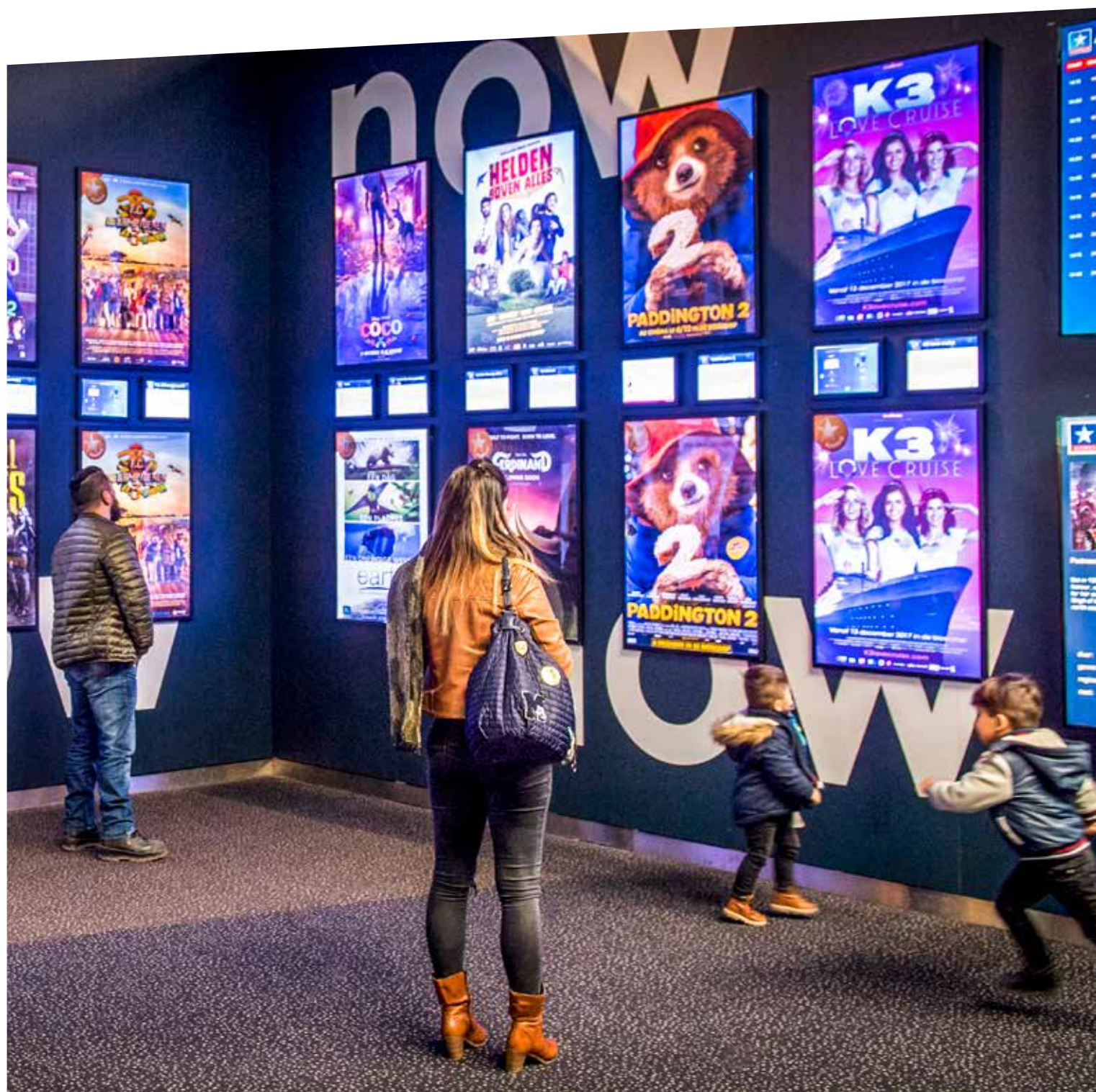
Kinopolis subscribed to the Universal Declaration of Human Rights, as adopted by the United Nations, and endeavors to comply with it in all aspects of its operational management. These rights are guaranteed by compliance with the laws of the countries in which Kinopolis does business and respect of human rights is an important criteria for Kinopolis when searching for and selecting potential partners, suppliers and materials.

Failure to respect human rights, leaving aside the unethical aspect of such conduct, could cause irreparable reputational and economic damage to the company and its stakeholders.



04 MANAGEMENT REPORT

Discussion of the results





The continued implementation of Kinopolis' three-pillar strategy and premium product innovation ensured that Kinopolis presented solid results in 2017, against the background of a variable and often less successful film program.

The integration of acquired cinemas and realization of the intended improvement potential is going according to plan. Turnover, EBITDA and profit per visitor increased in virtually all countries. The rise in visitor numbers is due to the expansion of the Group, driven, on the one hand, by the newly opened complexes in 2016 and, on the other, by the acquisition of Landmark Cinemas Canada in December 2017. With this acquisition Kinopolis took a major step in its expansion strategy, with regard to both the number of complexes in its portfolio and their geographical spread, entering the first non-European market.

Kinopolis welcomed 6.2% more visitors in 2017 than the previous year, due, on the one hand, to the cinemas acquired and newly opened in 2016 in France (Rouen and Fenouillet), the Netherlands (Dordrecht, Breda, Utrecht) and Spain (Granada), and, on the other, to the acquisition of Landmark Cinemas in Canada in December 2017. The results of Landmark Cinemas were included in the 2017 group results from 8 December onwards.

The quality of the film program in 2017 was highly variable. Exceptionally strong months alternated with weak periods. The first quarter suffered from a difficult basis for comparison given the strong first quarter of 2016. In the second quarter, a successful April, thanks to 'The Fate of the Furious', 'Beauty and the Beast' and 'Boss Baby',

compensated for the two weak months of May and June, which were due to the hot weather. The third quarter included an exceptionally strong September, driven by the film 'It', but was followed by a difficult fourth quarter, with a lack of high-quality content in October and November. On the other hand, the second half of December was exceptionally strong, thanks to a successful combination of international and local content, including 'Star Wars: Episode VIII - The Last Jedi', 'Coco' and 'FC De Kampioenen 3' in Belgium. The rise in visitor numbers in the fourth quarter is exclusively due to the addition of Landmark Cinemas Canada from 8 December 2017

Total revenue increased faster than visitor numbers, thanks to the rise in revenue across all activities. Only Kinopolis Film Distribution (KFD) posted lower turnover. Revenue from ticket sales (Box Office) increased faster than visitor numbers in all countries, due to the increased sales of premium products, such as Cosy Seating, Imax and the success of alternative content. The sale of beverages and snacks (In-theatre sales) increased, due, on the one hand, to the higher share of the Netherlands and Canada (with higher consumption on average) in the country mix and, on the other, to a rise in the number of shop visitors in all countries (combined in some countries with a rise in the number of products sold per visitor).



Boss Baby



Le Fidèle



The Fate of the Furious

B2B revenue increased due to a strong rise in screen advertising in all countries, combined with the expansion of the Group. Revenue from real estate activities also rose, primarily due to the renting out of concessions in Luxembourg, higher revenue from concessions operated by the Company, a higher occupancy rate and the increased rent in Poland.

After an excellent 2016 (with 'Safety First', 'Achter de Wolven', 'De Premier' and 'De Buurtpolitie'), Kinopolis Film Distribution (KFD) experienced a year with fewer film releases and less successful local content. The most successful local KFD films of 2017 were 'Het tweede Gelaat', 'Le Fidèle' and 'Helden Boven Alles'.

Revenue of Brightfish rose thanks to an increase in revenue from national and regional screen advertising.

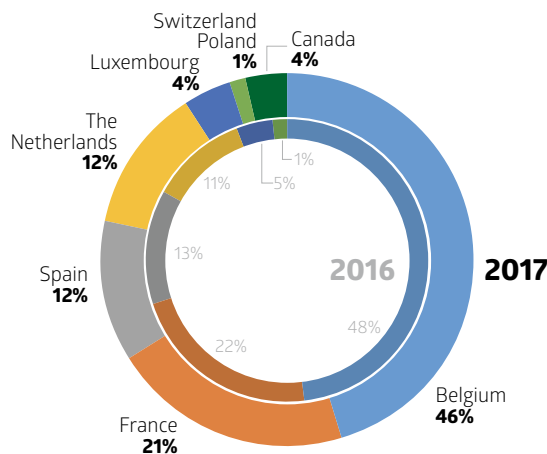
Current EBITDA increased by 10.3% to € 104.3 million, recording stronger growth than either visitor numbers or turnover. As foreseen, the addition of Canada contributed to the results with a lower than average EBITDA per visitor, due to the rented complexes. REBITDA per visitor was up in all countries except for Spain.

REVENUE

Total revenue in 2017 was € 355.4 million, an increase of 9.4% compared with 2016. Revenue increased stronger than visitor numbers (+6.2%), due to the higher revenue from Box Office and In-theatre sales (together +11.6%), the rise in revenue from B2B activities (+2.0%), real estate (+11.1%) and Brightfish (+4.3%), set off in part by the decreased revenue of KFD (-23.5%).

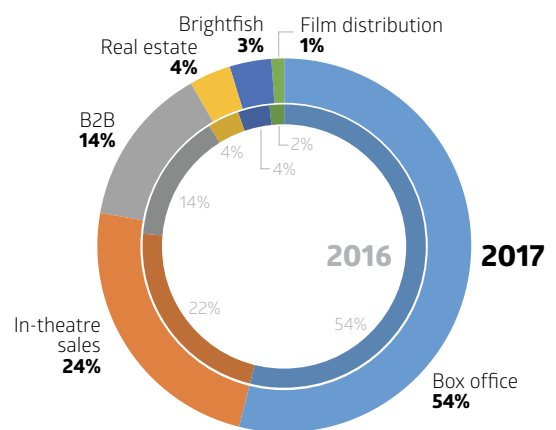
Box Office revenue rose by 9.5% to € 192.3 million, growing faster than visitor numbers in all countries, due to the sale of premium products, such as Cosy Seats, the growing success of alternative content in all countries and a number of measures to compensate for inflation. The rise was impacted by the changed country mix, with a lower share for Belgium, the addition of Canada, the loss of part of the Virtual Print Fee (VPF) revenue and a changed product mix (with a lower share for 3D, especially in Belgium, the Netherlands and Spain, due to the lower number of 3D films compared with 2016).

REVENUE BY COUNTRY IN 2017 VS 2016 ⁽¹⁾



(1) The revenue of Canada was included from 8 December 2017.

REVENUE BY ACTIVITY IN 2017 VS 2016 ⁽²⁾



(2) B2B includes screen advertising



Total revenue in 2017 was € 355.4 million, an increase of 9.4% compared with 2016.

The increase in visitor numbers (+6.2%) is due to the expansion of the Group by the addition of the cinemas in Rouen, Fenouillet, Granada (Nevada), Dordrecht, Breda and Utrecht in 2016 and Landmark Cinemas in December 2017.

The top 5 of 2017 were 'Star Wars: Episode VIII – The Last Jedi', 'Despicable Me 3', 'Beauty and the Beast', 'The Fate of the Furious' and 'Pirates of the Caribbean: Salazar's Revenge'. The most successful local films were 'FC De Kampioenen 3', 'Het Tweede Gelaat', 'The Son of Bigfoot' and 'Le Fidèle' in Belgium, 'Raid Dingue', 'Alibi.com' and 'Valerian and the City of a Thousand Planets' in France, 'Soof 2', 'Onze Jongens' and 'Misfit' in the Netherlands and 'Tadeo Jones 2', 'Perfectos desconocidos' and 'Es por tu bien' in Spain.

In-theatre sales (ITS) increased by 16.6% due to the higher visitor numbers and a higher ITS consumption per visitor. The constant enlargement of the ITS offer (including premium popcorn and luxury waters) contributed to the higher ITS revenue, together with a positive country mix effect due to the higher share of the Netherlands and Canada, which both have higher than average ITS consumption.

B2B revenue increased by 2.0%, due to a strong rise in screen advertising in all countries, combined with the expansion of the Group. Event sales increased, but this rise was cancelled out by lower revenue from the sale of cinema vouchers to companies and lower advertising revenue in the cinema.

Real estate revenue rose by 11.1% due to the expansion, the renting out of concessions in Luxembourg (Kirchberg) and Utrecht (Kinopolis Jaarbeurs), higher revenue from concessions operated by the Company, a higher occupancy rate and a higher variable rent in Poland.

The revenue of **Kinopolis Film Distribution** (KFD) fell by 23.5%, due, among other things, to fewer film releases compared with the previous year. A number of films performed strongly, such as 'Het Tweede Gelaat', 'Le Fidèle' and 'The

Hitman's Bodyguard', but they could not match a very successful 2016 (with 'Safety First', 'Achter de Wolken', 'De Premier', 'Bad Moms' and 'De Buurtpolitie').

Brightfish generated 4.3% more revenue, due to the increase in national and regional screen advertising, somewhat offset by the decrease in events.

REBITDA

Current EBITDA (REBITDA) increased by 10.3% to € 104.3 million and the REBITDA margin rose from 29.1% to 29.3%. REBITDA per visitor increased by 3.9% to € 4.12.

REBITDA per visitor rose in all countries, except for Spain, due to the addition of the (leased) cinema in Nevada (Granada).

PROFIT FOR THE PERIOD

Current profit in 2017 was € 44.7 million, a rise of 10.7% compared with 2016 (€ 40.4 million), due to the higher current EBITDA and in spite of higher depreciations and financial costs as a consequence of the expansion.

Total profit was € 49.1 million compared with € 47.6 million in 2016, a 3.0% increase, due to the non-recurring release of deferred taxes as a consequence of the planned reduction in corporate income tax in France, Belgium and Luxembourg and the one-off book profit on the sale of the Toison d'Or building in Belgium.



Dead Men Tell No Tales



Valerian



Despicable Me 3



De Buurtpolitie



Het Tweede Gelaat



It

The biggest non-current items in 2017 were the impact of the adjustment of the corporate income tax rate in France, Belgium and Luxembourg on deferred taxes (€ 4.5 million), transformation and expansion costs (€ -2.2 million) and the result from the sale of the Toison D'Or building (€ 1.9 million).

The biggest non-current items in 2016 were the result from the sale of Utopolis België NV (€ 8.7 million), the impact of the adjustment of the corporate tax rate in France on deferred taxes (€ 1.0 million) and transformation and expansion costs (€ -2.0 million). The income tax expenses on these non-current items were € 1.0 million.

The net financial costs increased by € 0.6 million or 7.8% to € 8.2 million. This rise was caused, among other things, by lower interest activation (€ 0.5 million).

The current effective tax rate was 31.3% compared with 31.6% in 2016. The reported tax rate decreased from 29.9% to 24.2%, due to the impact of the adjustment of the corporate tax rate in France, Belgium and Luxembourg on deferred taxes.

The profit per share was € 1.80, which is 2.9% higher than in 2016.

FREE CASH FLOW AND NET FINANCIAL DEBT

The free cash flow was € 59.4 million, compared with € 53.6 million in 2016. Without the final payment of € 3.1 million as part of the Excess Profit Ruling, the free cash flow was € 62.5 million.

The higher free cash flow was due to a higher operating result (€ +11.3 million), offset by a negative working capital effect as a consequence of the payment of € 4.5 million in investments in the new-build complexes at the beginning of 2017.

The free cash flow after expansion investments, dividends and share buybacks was € -54.2 million, € 46.8 million less than the previous year, due, among other things, to the acquisition of Landmark (€ 83.5 million), € 19.5 million less revenue from the sale of assets (sale of Utopolis Belgium in 2016 and Toison d'Or in 2017) and € 2.2 million more dividend payments, offset by € 29.4 million less investment in internal expansion.

In 2017, € 32.8 million was invested in the purchase of fixed assets and maintenance, primarily as a consequence, on the one hand, of the construction of the new complexes in the Netherlands, France and Canada and, on the other, of maintenance and remodelling investments.

Net financial debt was € 224.3 million at 31 December 2017, an increase of 32.1% compared with the end of 2016 (€ 169.8 million), primarily due to the acquisition of Landmark Cinemas Canada and other investments in expansion and maintenance. The NFD/REBITDA ratio was 2.15 on 31 December 2017 and 1.8 on 31 December 2016.

The total gross financial debt increased by € 167.7 million to € 382.0 million at 31 December 2017 compared to 31 December 2016 (€ 214.3 million). Kinopolis pursues a very cautious financial policy and always finances acquisitions in the long term. At the end of 2017 Kinopolis refinanced the acquisition of Landmark Cinemas and NH Bioscopen cinemas by means of a private placement at institutional investors, with a term of 8 and 10 years.

BALANCE SHEET

Fixed assets (€ 514.5 million) represented 71.4% of the balance sheet total at 31 December 2017 (€ 721.0 million). This includes land and buildings (including investment property) with a carrying amount of € 275.8 million.

Equity was € 176.4 million at 31 December 2017. Solvency was 24.5%, compared with 29.8% in 2016.

DIVIDEND OF € 0.90 PER SHARE

The Board of Directors will propose to the General Meeting of 9 May 2018 application of a pay-out ratio of 50% of net current profit. Bearing in mind the number of shares entitled to dividend on 23 February 2018, which is 27 111 003 shares, this means a gross dividend of € 0.90 per share for the financial year 2017. This represents an increase of 3.4% compared to 2016 (€ 0.87 per share). The dividend will be made available from 17 May 2018 (ex-date: 15 May 2018; record date: 16 May 2018).

IMPORTANT EVENTS AFTER THE END OF THE FISCAL YEAR 2017

Just before Christmas 2017, Kinopolis Group reached agreement on the acquisition of the NH Bioscopen cinemas in Schagen and Hoofddorp (Netherlands) as of 1 January 2018. The agreement also covers a new-build project in Haarlem (Netherlands). The concerned complexes and the Haarlem new-build project were owned by Mr. and Mrs. Frits and Irma Nieuwenhuizen, who also operated the cinemas in Schagen and Hoofddorp. The NH Bioscopen cinema on Texel is not included in the agreement. The cinema in Schagen has five screens and 560 seats and welcomes some 220 000 visitors annually. The cinema in Hoofddorp has eight screens and 1 100 seats and welcomes around 390 000 visitors annually. The new-build cinema in Schalkwijk, Haarlem, will have six screens and around 850 seats. Construction is scheduled to begin in 2018, once the required permits have been issued. The transaction has an enterprise value of € 27.5 million, 'cash and debt free', including the acquisition of the debts. The acquisition enables Kinopolis to strengthen its position on the Dutch market, and to offer the Kinopolis film experience to even more visitors.

On 8 January 2018 Kinopolis took over the operation of the 'Palace' cinema in Metz (France). 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. It will have 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 is set to reopen in June 2018.

Landmark Cinemas Canada, acquired by Kinopolis Group in December 2017, reached agreement at the end of January 2018 on the acquisition of the Brighton Marketplace cinema of 'Magic Lantern Theatres' in Saskatoon (Saskatchewan). Landmark Cinemas also announced a partnership with Cadillac Fairview and Ivanhoé Cambridge, two Canadian real estate companies, to open a new premium cinema in the CF Market Mall in Calgary (Alberta). The cinema in Brighton Marketplace,

the first shopping mall in Saskatoon developed by Dream Unlimited Corp, is currently under construction and will be finished by Landmark. The cinema is scheduled to open in June 2018. It will have seven screens and 780 premium recliner seats. The cinema in the CF Market Mall in Calgary is scheduled to open in spring 2019. It will have five screens and 619 luxurious recliner power seats, guaranteeing the residents of Calgary a premium movie-going experience.

On 15 February 2018 Landmark Cinemas, in the presence of Eddy Duquenne (CEO Kinopolis Group), opened a new cinema in the Jensen Lakes Crossing area of St. Albert (Canada). The cinema has eight screens, fully equipped with Landmark's new luxurious motorized recliner seats. Jensen Lakes Crossing is a neighbourhood shopping centre where the local community will be able to enjoy an extensive range of restaurants, wide paths and squares, and entertainment.

In response to the request of Kinopolis Group nv for cancellation of the behavioural measures which were imposed on it in 1997, the Belgian Competition Authority decided 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, including the prior approval by the Competition Authority for the acquisition of existing cinemas in Belgium and the prohibition to request exclusivity or priority from film distributors, remain applicable for a renewable term of three years. Kinopolis is permitted to file a new request to withdraw the behavioural measures at the end of this period.

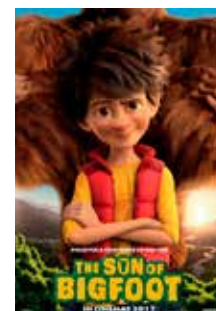
Two Belgian cinema groups appealed against the decision of the Belgian Competition Authority of 31 May 2017. On 28 February 2018, the Court of Appeal issued its judgment, stating that the arguments of the Belgian Competition Authority were not sufficiently motivated to warrant partial cancellation of the behavioural measures imposed on Kinopolis. The Belgian Competition Authority will now have to take a new decision.



Star Wars, The Last Jedi



Bad Moms



The Son of Bigfoot



Corporate Governance Statement

The Board of Directors feels very strongly about the principles of corporate governance as set down in the Belgian Corporate Governance Code 2009 and in compliance with this code it approved a revised version of the Corporate Governance Charter on 16 February 2017 in response to the introduction of a new Dealing Code. The Charter can be consulted on the Kinopolis Investor Relations website.

In this chapter of the annual report more factual information is provided on the Corporate Governance policy pursued in the fiscal year 2017. The goal is to apply the principles resulting from this charter, wherever possible, without affecting the unique character of the Company. Where necessary, an explanation is given of the deviations from the Code in accordance with the 'comply or explain' principle

SHARE CAPITAL

The share capital at 31 December 2017 was € 18 952 288.41.

The share capital was represented by 27 365 197 shares without mentioning the nominal value, all of which give the same rights to holders.

On 31 December 2017 Kinopolis Group held 132 346 own shares with a capital value of € 91 658.74.

Under the authorization issued by the Extraordinary General Meeting of 11 May 2016 to the Board of Directors to buy back 410 958 own shares 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 own shares through the grant of discretionary mandates to an intermediary on or outside the stock market between 15 January 2018 and 30 September 2018, and where, during the open periods, block transactions can take place.

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 sa, 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 11 of the Companies Code) 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 11 of the Companies Code) 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

Kinopolis Group nv is not aware of any shareholder agreements 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

Under the terms of the Credit Agreement concluded on 15 February 2012 between, on the one hand, Kinopolis Group nv and a small number of her subsidiaries, and on the other, Fortis Bank nv, KBC Bank nv and ING Belgium nv, and as amended and renewed on **22 June 2015, 17 December 2015 and 13 December 2016**, a participating financial institution can end its participation in that agreement, in which case the relevant part of the outstanding loan amount will be immediately due if other natural persons or legal entities than Kinohold Bis sa (or its legal successors) and Mr. Joost Bert acquire control (as defined in the Credit Agreement) of Kinopolis Group nv.

Furthermore, in case of a change of control, under the General Terms and Conditions of the Listing and Offering Prospectus dated **17 February 2012** with regard to a **bond issue** in Belgium, any bond holder will have the right to oblige Kinopolis Group nv to repay the nominal amount of all or a part of the bonds, under the conditions set forth in the Prospectus. This Prospectus can be consulted on the Investor Relations website of Kinopolis.

Furthermore, under the General Terms and Conditions of the Prospectus dated **12 May 2015** making an Unconditional Public Offer to **Exchange the aforementioned bonds**, in case of a change of control (as defined in the Prospectus) any bond holder will have the right to oblige Kinopolis Group nv to refund the nominal amount of all or a part of the bonds, under the conditions set forth in the Prospectus. This Prospectus can also be consulted at the Kinopolis Investor Relations website.

Lastly, there is a clause in the General Terms and Conditions dd. **16 January 2015** with regard to the **private placement of bonds** with institutional investors valued at € 96.0 million euros, as well as in the General Terms and Conditions dd. **5 December 2017** with regard to the **private placement of bonds** with institutional investors valued at € 125 million, in the event of a change of control that is identical to the one set down in the aforementioned 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 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 11 of the Companies Code or they are otherwise acting by mutual agreement) and collectively holding more than 30% of the voting shares of Kinopolis Group nv, on subsequent transparency statements (within the meaning of the Act of 2 May 2007 and the Royal Decree of 14 February 2008 regarding the disclosure of major holdings) and statements within the meaning of the share buyback program, as of 31 December 2017:

- Kinohold Bis sa, held 12 700 050 shares or 46.41% of the shares of the Company;
- Kinohold Bis sa is controlled by Stichting Administratiekantoor Kinohold under Dutch law, which in turn is jointly controlled by the following natural persons (in their capacity as directors of Stichting Administratiekantoor Kinohold): Joost Bert, Koenraad Bert, Geert Bert and Peter Bert;
- Kinohold Bis sa otherwise acts in close consultation with Joost Bert;
- Kinopolis Group nv, controlled by Kinohold Bis sa, held 132 346 or 0.48% own shares;
- Mr. Joost Bert, who acts in close consultation with Kinohold Bis sa, held 554 540 shares or 2.03% of the shares of the Company.

SHAREHOLDERS' STRUCTURE AT 31 DECEMBER 2017⁽¹⁾

SHAREHOLDER	NUMBER OF SHARES	%
Kinohold Bis sa	12 700 050	46.41
Mr. Joost Bert	554 540	2.03
Kinopolis Group nv	132 346	0.48
Free Float, of which:	13 978 261	51.08
- Axa sa	1 523 555	5.57
- BNP Paribas Asset Management sa	1 368 974	5.00
- Black Rock Inc	1 115 517	4.08
- Ameriprise Financial Inc	835 747	3.05
TOTAL	27 365 197	100%

(1) A transparency declaration of 26 March 2018 shows that Ameriprise Financial Inc. held a stake of less than 3% in Kinopolis Group on the aforementioned date.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Amendments can be made to the articles of association with due consideration for the stipulations in the Companies Code.

BOARD OF DIRECTORS AND SPECIAL COMMITTEES

Composition of the Board of Directors

The Board of Directors consists of nine members, four of whom can be considered as independent of the majority shareholders and management. These independent directors fulfil the criteria as stated in the Article 526 ter of the Companies Code 'establishing the criteria for independent directors' and were appointed upon nomination by the Board of Directors, which was advised on this matter by the Nomination and Remuneration Committee. The reference shareholders did not use their nomination right with regard to these appointments.

The Board regularly reviews the criteria for its composition and of its committees, in light of ongoing and future developments and expectations, as well as its strategic objectives. The Board gives appropriate attention to complementarity and diversity among its members, including gender and age diversity, and ensures a balance between innovation and continuity in order that the acquired knowledge and history can be passed on efficiently in the Board and its committees. In this context, in 2017 the Board of Directors was enlarged with the addition of Ignace Van Doorselaere (ebvba 4F), whose extensive management experience in an international context and people-oriented growth philosophy adds value to the Board of Directors.

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 President assisted by the Senior Legal Advisor, 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 respect to the twelve meetings that took place in 2017.

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 Kinepolis Corporate Governance Charter, the following items were handled on a regular basis:

- Review of the monthly revenues and financial results together with the forecasts;
- Evolution of the customer and personnel satisfaction index;
- Evolution of ongoing cinema and real estate projects;
- Discussion and decision on new cinema and property opportunities;
- Integration of the new complexes;
- Up-to-date treasury situation and cash flow forecast.

Appropriate attention was also given inter alia to the following items:

- Discussion and establishment of the profit and investment plan for the following fiscal year;
- Evaluation and approval of expansion projects;
- Determination of the short-term and long-term strategy;
- Current and non-current financing;
- Reports of the Nomination and Remuneration Committee and the Audit Committee;
- Evaluation and establishment of the quantitative and qualitative management targets for the Executive Management;
- Assessment of the functioning of the Board of Directors and its committees;
- The primary risks to which the Company can be exposed to and the measures to control them.

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

At least nine meetings are scheduled in 2018. Additional meetings may be held if needed.



Philip Ghekierre



Joost Bert



Eddy Duquenne



Annelies van Zutphen



Adrienne Axler



Geert Vanderstappen



Ignace Van Doorselaere



Marion De Bruyne



Rafaël Decaluwé

COMPOSITION BOARD OF DIRECTORS

NAME	POSITION	TERM ENDS	OTHER POSITIONS AT LISTED COMPANIES	ATTENDANCE RECORD (12)
Mr. Philip Ghekierre ^{(1) (2)}	Chairman	2020	/	All meetings
Mr. Joost Bert ⁽²⁾	CEO	2020	/	All meetings
Mr. Eddy Duquenne	CEO	2020	/	All meetings
Ms. Annelies van Zutphen, permanent representative of Van Zutphen Consulting bv	Independent Director	2019	/	11 meetings
Ms. Adrienne Axler	Independent Director	2018	/	9 meetings
Mr. Geert Vanderstappen, permanent representative of Pallanza Invest bvba	Independent Director	2018	Smartphoto Group nv: Director	10 meetings
Mr. Ignace Van Doorselaere, permanent representative of ebvba 4F (director since 9 May 2017)	Independent Director	2019	/	5 meetings
Ms. Marion Debruyne, permanent representative of Marion Debruyne bvba	Director	2019	Ackermans & Van Haaren nv: Director	9 meetings
Mr. Rafaël Decaluwé, permanent representative of Gobes Comm. V.	Director	2019	Jensen Group nv: Chairman	9 meetings
Mandate ended in 2017:				
Mr. Jo Van Biesbroeck, permanent representative of JoVB bvba (director until 9 May 2017)	Independent Director	2017	Telenet nv: Director	3 meetings

⁽¹⁾ Non-executive director

⁽²⁾ Represent the majority shareholders

Composition and activity report of the Nomination and Remuneration Committee

In accordance with the possibility provided for in the Corporate Governance Code, Kinopolis Group nv has 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 human resources, bearing in mind their previous and/or current business activities:

- Mr. Philip Ghekiere (Chairman Kinopolis Group nv and Managing Partner at Metis Capital);
- ebvba 4F⁽¹⁾, whose permanent representative is Mr. Ignace Van Doorselaere, CEO of Neuhaus;
- Ms. Adrienne Axler⁽¹⁾, CEO of the DACH region at Sodexo.

Gobes Comm. V., whose permanent representative is Mr. Rafaël Decaluwé and JoVB BVBA, whose permanent representative is Mr. Jo Van Biesbroeck, were members of the committee until the annual meeting of 2017.

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

The Nomination and Remuneration Committee met three times in 2017 under its chairman Mr. Ghekiere, and all members attended these meetings, with the exception of the last meeting, which was attended by Messrs. Ghekiere and Van Doorselaere only.

During these meetings, primarily the following topics were discussed:

- Evaluation of the management targets for the Executive Management and establishment of the variable remuneration for the fiscal year 2016;
- The proposal of qualitative and quantitative management targets with regard to the fiscal year 2017 for Executive Management and the corresponding variable remuneration;
- The evaluation and remuneration policy for the Executive Management;
- The evolution in the composition of the Board of Directors and the ensuing process for selecting and nominating candidates;

(1) Since 30 June 2017

- The composition of the Nomination and Remuneration Committee and the Audit Committee;
- Preparation of the Remuneration Report.

Composition and activities report of the Audit Committee

Pursuant to Article 526 bis of the Companies Code, the Audit Committee is exclusively composed of non-executive directors of whom the majority are also independent. The Audit Committee as a whole has the appropriate expertise with regard to bookkeeping and audits and was composed as follows:

- Pallanza Invest bvba, whose permanent representative is Mr. Geert Vanderstappen, who combines five years' experience as Corporate Officer at Generale Bank's Corporate & Investment Banking with seven years' operational experience as CFO at Spector Photo Group nv and is now Managing Partner at Pentahold;
- Gobes Comm. V, whose permanent representative is Mr. Rafaël Decaluwé, who is a former CEO of Bekaert nv and had a long career in financial management positions at a number of multinationals, including Samsonite, Fisher-Price and Black & Decker;
- ebvba 4F⁽¹⁾, whose permanent representative is Mr. Ignace Van Doorselaere, CEO of Neuhaus.

The Chief Financial Officer, the Chief Executive Officers and the internal auditor attend the meetings of the Audit Committee.

The representatives of the majority shareholders may attend meetings upon invitation.

In 2017 the Audit Committee under its chairman Mr. Geert Vanderstappen, met four times, with all members present (or represented), and primarily the following items were handled:

- Discussion on financial reporting in general and the unconsolidated and consolidated annual and interim financial statements in particular;
- Discussion, establishment and monitoring of the internal audit activities, including the 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 functioning of the internal auditor;
- Monitoring of the financial reporting and its compliance with the applicable reporting standards;
- Start of the IFRS16 impact analysis;
- Discussion of the Non Audited Services regulations.

Evaluation of the Board of Directors, its committees and its individual directors

As part of the open and transparent way 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 is the interaction with the Executive Management, which is communicated in the same transparent way.

The chairman is also responsible for organizing periodical performance assessments by means of comprehensive questionnaires related to:

- The functioning of the Board and its committees;
- The quality of the prepared documents;
- The individual contribution of each director;
- The interaction with the Executive Management;
- The composition of the Board and its committees.

Diversity

Since the appointment of Ms. Axler at the General Meeting of 11 May 2016, three women are member of the Board, which thus complies with the legal requirement that 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 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. These 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 resulted in three female directors having a seat on the Board of Directors, which is furthermore made up of directors with complementary profiles in terms of skills, knowledge and experience, including international management experience.

EXECUTIVE MANAGEMENT

The Executive Management consists of both Chief Executive Officers. The Board of Directors is authorized to appoint additional members of the Executive Management. Given that the daily management is assigned to the Executive Management, which is composed of just two people and that Kinopolis Group has not set up a management committee, no specific diversity policy applies to the persons responsible for the daily management. When appointing the members of the Executive Management, the primary focus is on the required management experience and knowhow to be able to function in the position.

INSIDER TRADING POLICY – CODE OF CONDUCT – TRANSACTIONS WITH RELATED PARTIES

The Dealing Code approved in 2016 and updated in 2017, applies to the members of the Board of Directors, the Chief Executive Officers, 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. The Chief Financial Officer is responsible, as Compliance Officer, for monitoring compliance with the rules on insider trading as set out in this Protocol.

With regard to the proceedings brought by FSMA's Management Committee against Kinohold Bis sa, Mr. Joost Bert, PGMS nv, Mr Philip Ghekiere and Mr Eddy Duquenne due to alleged insider dealing with regard to their purchase of shares for their account in 2011, the Court of Appeal in Brussels confirmed on 1 March 2017 the administrative sanctions imposed by the Sanctions Committee. The aforementioned persons have notified the Company that their good faith in this matter was not questioned by the Court of Appeal. The Board of Directors confirmed her trust in these persons.

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.

The transactions with related parties as included in Note 29 to the Consolidated Financial Statements were conducted in complete transparency with the Board of Directors.



REMUNERATION REPORT

Kinepolis Group nv strives to provide transparent information regarding the remuneration of the members of the Board of Directors and the Executive Management to its shareholders and other stakeholders.

Procedure for establishing the remuneration policy and level for the Board of Directors and Executive Management

Principles

The principles of the remuneration policy and level for the directors and the Executive Management are stated in the Company's Corporate Governance Charter.

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

The following principles are also used:

- For the fulfilment of their duties as a member of the Board of Directors, the non-executive directors receive a fixed amount taking account of an attendance of a minimum number of meetings of the Board of Directors they attend;
- The members of the committees are allocated a fixed amount every time they attend a meeting for the committee, with additional fixed remuneration for the president of the Audit Committee and of the Nomination and Remuneration Committee;

- The Chairman of the Board of Directors and the Chief Executive Officers 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 programs, benefits in kind (with the exception of the right to attend a number of film screenings each year) or benefits related to pension plans;
- Alongside a fixed remuneration, the Executive Management receives variable remuneration dependent on the attainment of the management targets set by the Board of Directors on the recommendation of the Nomination and Remuneration Committee. These include both quantitative targets, which are set and measured annually based on the improvement of the financial results compared to the previous year, and qualitative targets, which are defined as targets that are to be attained over several years, 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 the Group's, lead to value creation and loyalty, and provide the appropriate incentive to optimize 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 targets and 70% is linked to the attainment of the quantitative targets;
- 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. The remuneration package for the Executive Management may additionally include participation in the corporate pension plan and/or the use of a company car;

- The Company's formal right to claim back variable remuneration granted on the basis of incorrect financial data was not explicitly provided for in such cases;
- The exit 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. A higher compensation may be granted in specific justifiable circumstances, on the recommendation of the Nomination and Remuneration Committee and with the prior approval of the General Meeting, but may never exceed eighteen (18) months' basic and variable remuneration. In any event, the exit 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 or her contract.

Procedure

The annual overall remuneration for the members of the **Board of Directors** will be determined by the General Meeting following a proposal from the Board of Directors (advised by the Nomination and Remuneration Committee), which will be based on the amounts set in the past, with due regard for a minimum number of actual meetings of the Board of Directors and its committees.

The above-mentioned amounts, set in 2011 and adjusted in 2013, are based on benchmarking using surveys conducted by independent third parties with regard to listed and other companies and resulted in the following remunerations:

- € 87 250 as fixed remuneration for the chairmanship of the Board of Directors;
- € 30 000 as fixed remuneration for attendance by the Chief Executive Officers of the meetings of the Board of Directors;
- € 32 500 for the actual attendance of the other directors of 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 and of the Nomination and Remuneration 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 for the relevant contractual stipulations and benchmark data from other comparable listed companies to ensure that these remunerations are in line with market rates, bearing in mind the duties, responsibilities and management targets.

The management targets to which the variable remuneration is linked are proposed annually by the Nomination and Remuneration Committee and approved by the Board of Directors. The Board of Directors evaluates the attainment of these quantitative and qualitative targets annually on the basis of an analysis by the Nomination and Remuneration Committee.

The achievement of the quantitative targets is measured based on the improvement of the financial results compared to the previous fiscal year, with due consideration for the changes in the critical parameters for value creation in the existing businesses and the achievement of business plans in expansion projects. The qualitative targets to be attained over more than one year will be evaluated on an annual basis against progress towards each specific target.

On the proposal of the Board of Directors, which is of the opinion that the quantitative and qualitative management targets are set to also favour the long-term goals of the Company, on 11 May 2016 the General Meeting approved the proposal to base the integral annual variable remuneration of the CEOs for the fiscal years 2017 till 2020 on objective and measurable performance indicators agreed in advance and always measured over a period of one year, in accordance with Article 520 ter of the Companies Code.

Application of the remuneration policy on the members of the Board of Directors

In line with the remuneration policy and its underlying principles, the non-executive 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.

Exceptionally, the General Meeting of 11 May 2016 offered the possibility of granting 45 000 share options under the 2016 Share Option Plan to the Chairman of the Board of Directors, who is a non-executive director but, as the representative of the majority shareholder, is closely involved in implementing the Company's long-term value creation strategy. In fulfilment of the above mentioned decision 45 000 share options were offered to the Chairman in 2016, who has accepted these in 2017.

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

All members of the Board of Directors as well as directors of the subsidiaries of the Company are also covered by a 'civil liability of directors' policy, of which the total premium amounts to € 22 123, including taxes, and which is paid by the company.

Application of the remuneration policy on the members of Executive Management

Principles

The remuneration for the Executive Management is set on the proposal of the Nomination and Remuneration Committee, with due consideration for the benchmark data from external surveys and with regard to the ratio of the fixed to the variable part of the remuneration package and to keep the remuneration in line with the practice at comparable listed companies as well as market rates, bearing in mind the roles, responsibilities, management targets and value creation.

The remuneration for the Executive Management for the fiscal years 2017-2018 was accordingly maintained at the level of previous years in 2017.

In setting the targets for the fiscal year 2017, the Board of Directors again used the current EBITDA parameter to set the **quantitative management** targets as it seems that this is a relevant measure of the development of value creation within the company. When assessing whether they

REMUNERATION BOARD OF DIRECTORS

NAME	TITLE	REMUNERATION 2017 (IN €)
Mr. Philip Ghekiere ^{(1) (2)}	Chairman of the Board of Directors and of the Nomination and Remuneration Committee	100 000
Mr. Joost Bert ⁽²⁾	CEO	30 000
Mr. Eddy Duquenne	CEO	30 000
Ms. Marion Debruyne, permanent representative of Marion Debruyne bvba	Director	32 500
Ms. Annelies van Zutphen, permanent representative of Van Zutphen Consulting bv	Independent Director	32 500
Ms. Adrienne Axler	Independent Director	32 500
Mr. Geert Vanderstappen, permanent representative of Pallanza Invest bvba	Independent Director	48 250
Mr. Ignace Van Doorselaere, permanent representative of ebvba 4F (since 9 May 2017)	Independent Director	36 085
Mr. Rafaël Decaluwé, permanent representative of Gobes Comm. V	Director	53 500
Mandate ended in 2017:		
Mr. Jo Van Biesbroeck, permanent representative of JoVB bvba (until 9 May 2017)	Independent Director	16 833
TOTAL		412 168

(1) Non-executive director

(2) Represent the majority shareholders

have been achieved, account is taken of how the current EBITDA of the mature cinema complexes (those that have been part of the Kinepolis Group for more than three years) has changed compared to the targets set by the Board of Directors as well as the evolution of the expansion projects compared to the business plans.

The **qualitative targets** related to the further growth and development of the company, the further development of the Talent Factory, which identifies the talents of the employees, the expansion of the Innovation Lab in which employees are encouraged to propose and develop innovative ideas, the strengthening of the ICT and Business Intelligence organization and infrastructure, the continued industrialization of certain corporate processes and models and the further optimization of the group structure.

All targets were established to ensure that they help attain not only the short-term targets but also the long-term targets of the Group.

These targets will be evaluated at the beginning of the fiscal year 2018 and if they have been attained the variable remuneration with regard to the performances in the fiscal year under review will be paid out.

Application

In 2017 the Board of Directors evaluated the targets set for **fiscal year 2016** and observed that, with regard to the qualitative targets, the milestones had been achieved or at least concrete progress was made and that, with regard to the quantitative targets, the realized recurrent EBITDA was within the bracket set.

On the recommendation of the Nomination and Remuneration Committee, the Board therefore decided to award variable remuneration linked to qualitative targets and quantitative targets in the amount of € 330 000 to Mr. Duquenne and in the amount of € 181 500 to Mr. Bert. Given the result achieved in the divestment from Utopolis Belgium, it was also decided to award an exceptional bonus in the amount of € 70 000 to Mr. Duquenne.

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 one of the members of the Executive Management and if there is a change in the control of the Company, the exit package can be 24 months' fixed remuneration plus the pro-rata part of the variable remuneration for the ongoing year.

Hereafter follows a summary of the fixed part of the remuneration, the other components of the remuneration (such as pension contributions and insurances) and the variable part, as paid out in 2017 (excluding VAT). You'll find the description of the long term incentives hereunder.

BVBA EDDY DUQUENNE	
Fixed remuneration ⁽¹⁾	€ 538 242
Variable remuneration ⁽²⁾	€ 330 000
Exceptional bonus	€ 70 000
Expense allowance	€ 9 000
TOTAL	€ 947 242

MR. JOOST BERT	
Fixed remuneration ⁽¹⁾	€ 350 120
Variable remuneration ⁽²⁾	€ 181 500
Pension scheme ⁽³⁾	€ 10 794
TOTAL	€ 542 414

Long-term incentives

On 11 May 2016 the General Meeting approved a new Share Option Plan, under which 543 304 options (maturing on 10 May 2024) on existing shares can be offered to the Chairman of the Board of Directors, the Executive Management and eligible management staff of the Company or its subsidiaries in order to enable the aforementioned persons to participate in the long-term shareholder value they will help create and so bring their interests into line with the interests of the shareholders. In granting the share options the Company's goal is to be able to attract, motivate and in the long term retain the best management talent in the Company. Under the aforementioned plan, 45 000 share options were granted to Mr. Ghekiere and 90 000 and 45 000 options were granted to Messrs. Duquenne and Bert respectively.

⁽¹⁾ Other than remuneration received as a member of the Board of Directors (which amounts to € 30 000 for each director)

⁽²⁾ Received in 2017 for performances in 2016

⁽³⁾ Mr. Joost Bert participates in a supplementary pension scheme providing for an annual indexed fixed contribution

A further description of the characteristics of these options is provided in Note 20 to the Consolidated Financial Statements.

Fiscal years 2018-2019

The Company will evaluate the remuneration policy towards the Board of Directors and Executive Management.

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

Kinepolis Group uses the Integrated Framework for Enterprise Risk Management as developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework integrates internal control and risk management processes with the purpose of identifying and managing strategic, operational and reporting risks as well as complying and regulatory risks as to enable the achievement of the corporate objectives.

Kinepolis Group uses this framework to implement a system of Risk Management or to control the above risks in the business processes and financial reporting. The system is developed centrally and is as much as possible uniformly applied in the various parts of the organization and subsidiaries. The system fills in 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

Within Kinepolis Group, risk management is not the exclusive responsibility of the Board of Directors and Executive Management, 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 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 2009 and the Kinepolis Corporate Governance Charter. In brief, it can be stated that Executive Management bears final responsibility for the appropriate implementation and management of the risk management system, whereas 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 responsible not only 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 have peace of mind that related risks in the various business processes and departments are tackled in an integrated way.

Application of the various components

The way in which the Company 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 so 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, Kinepolis Group values integrity and ethical action highly. With this in mind, Kinepolis Group values integrity and ethical action highly. Alongside the existing legal framework, Kinepolis Group endeavors to encourage and enforce this type of behavior through preventive measures (such as Code of Conduct, work regulations, various policies and procedures) and detection measures (such as the reporting procedure and compliance inspections).

Another important aspect of the internal environment is the organizational structure. Kinepolis has a clear and uniform organizational structure, which fits with the various countries and business processes. The organizational 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.

Objective setting

Business objectives are established over various durations in line with the Kinopolis mission. As described in the Corporate Governance Charter, these are confirmed on an annual basis by the Board of Directors, which also ensures they are in line with the Company's risk appetite.

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 or 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 endeavors to standardize the process as much as possible. This is achieved by organizing corporate ERM trainings, implementing the structured policy guidelines and procedures, and using standard lists of internal audits to be conducted.

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.



Kinepolis Alicante (ES)



Kinepolis Utrecht, Jaarbeurs (NL)

Information and Communication

The appropriate structures, consultation bodies, reporting and communication channels have been set up within Kinepolis Group for business operations in general and risk management in particular 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 Corporate Governance Code 2009 and the Corporate Governance Charter, Kinepolis primarily relies on the following monitoring activities:

- **Business Controlling:** The Management, supported by the Business Controlling department, analyzes the progress made towards the targets and explains the discrepancies on a monthly basis. This analysis may identify potential improvements that could be made to the existing risk management activities and measures;
- **Internal Audit:** The existing risk management activities and measures are evaluated and compared with internal rules and best practices on a regular basis by the Internal Audit department. Potential improvements are discussed with Management and lead to the implementation of action points that further enhance risk management.

DESCRIPTION OF THE MAIN BUSINESS RISKS

On an annual basis, the Board of Directors and the Management conduct a risk assessment to gain insight into the main business risks, which assessment is subsequently analyzed and approved by the Board of Directors. As in previous years, in 2017 this again occurred on the basis of a written survey of the participants to gain both quantitative and qualitative results, enabling risks to be assessed in order of scale. Although this way of working enables Kinepolis 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 Kinepolis is exposed.

Availability and quality of supplied content

Bearing in mind that Kinepolis Group nv does not produce any content itself (such as movies), it is dependent on the availability, diversity and quality of movies as well as the possibility of being able to rent this content from distributors. Kinepolis Group endeavors to protect itself wherever possible by maintaining good long-term relations with the major distributors or producers, by pursuing to some extent a content diversification policy 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 revenues of Kinepolis Group can vary from period to period, as the producers and distributors decide when their movies 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 endeavors to mitigate the consequences among other things by variabilizing its cost structure to a maximum degree.

Competition

Kinopolis Group's position as a cinema operator is subject to competition just like every other product or service for which substitution exists. Kinopolis Group's position is impacted by increasing competition from other leisure activities, such as concerts and sporting events, which can influence the behavior of Kinopolis customers. This competition also comes from the cinemas of other operators – both existing and prospective – in the markets where the Group is active and from the increasing distribution and availability of films and series through online content media, video-on-demand, pay-per-view and suchlike. This development can also be influenced by the shortening of the period ordinarily observed by the distributors, between the first screening of a movie in the cinema and its availability through other channels, as well as the constant technical improvement in the quality of these alternative ways of watching movies. Besides these legal alternatives, the cinema industry also has to deal with illegal downloads. Kinopolis is working actively 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 situation in areas where Kinopolis Group is active and that can impact consumer behavior and the production of new movies, can have a negative impact on Kinopolis Group's operating profits. Kinopolis endeavors to arm itself against this

threat by being rigorously efficient and closely monitoring and controlling costs and margins. Changing economic conditions can also increase competitive risks.

Risks arising from growth opportunities

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

Political, regulatory and competition risks

Kinopolis Group strives to operate within the legal framework at all times. However, additional or amended legislation, including tax laws, could restrict Kinopolis' 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. Belgium's 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 if these do not entail the rundown of existing complexes.

Technological risks

Cinema has become a highly computerized and automated sector in which the correct technological choices and optimal functioning of projection systems, sales systems and other ICT systems are critical to be able to offer customers optimal service. Kinopolis Group tries to manage these risks by closely following the latest technological developments, regularly analyzing system architecture and, where necessary, optimizing and implementing best ICT practices.

Employee risks

As a service company, Kinopolis Group largely depends on its employees to provide 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 where necessary improves its policies.

Risks arising from exceptional events

Events of an exceptional nature, including but not limited to extreme weather, political unrest and terrorist attacks, in a country 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 minimize the potential impact of such risks through a combination of preventive (such as construction decisions, evacuation planning) and detection measures (such as fire detection systems) and by taking out proper insurance.

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 control political and regulatory risks, Kinopolis will take appropriate measures to prevent environmental damage and limit property risks.

Other risks

In response to the request of Kinopolis Group nv to cancel the behavioural measures imposed on it in 1997 by the Belgian Competition Council, on 31 May 2017 the Belgian Competition Authority decided to relax these measures and to no longer subject the opening of new cinemas in Belgium to its prior permission from 31 May 2019. In response to the appeal filed by a number of cinema operators, the Brussels Court of Appeal annulled this decision on 28 February 2018. The Belgian Competition Authority will now have to take a new decision.

Furthermore, proceedings continue 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 ruling 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, 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. The amount of the provision covers the full potential claim, 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 claimed tax owed, which Kinopolis paid without any harmful admission. If the appeal of Kinopolis Group is successful, all paid amounts will be refunded to Kinopolis. The final judgment of the European Court of Justice is not expected for a few years.

Kinopolis is confident that both proceedings will end satisfactorily.

The other risks stated in 2016 (with regard to Toison d'Or) were resolved successfully in 2017.

USE OF FINANCIAL INSTRUMENTS

Kinopolis Group is exposed to a number of financial risks in its daily operations, 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 regulation. It is Group policy not to undertake any trading positions in derivative financial instruments.



Kinepolis Dordrecht (NL)

Kinepolis 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 2017 the Group's net financial debt was €224.3 million. Interest rate swaps were entered into for € 41.6 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 aforementioned risks.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Kinepolis Group complies with the principles of the Belgian Corporate Governance Code.

In line with the 'comply or explain principle', the Company has decided that it was in the best interests of the Company and its shareholders to depart from the stipulations of the Code in a limited number of specific cases in addition to the circumstances described above:

- By way of derogation from Stipulation 7.7. of the Code, after approval by the General meeting of 11 May 2016, in 2016, 45 000 share options under the Share Option Plan were offered to the Chairman of the Board of Directors, who accepted them in 2017. The Board of Directors considers that the allocation of options fits within the framework of this authorization, given that the Chairman, as a representative of the majority shareholder, is closely involved in implementing the Company's long-term value creation strategy.
- Contrary to Stipulation 4.6. of the Code, the professional qualifications and duties of the directors to be re-appointed were not stipulated in the convening notices to the General Shareholders' Meeting of 11 May 2016, given that these qualifications were already published in several press releases and annual reports.



Other information



4DX concept



Box Office

RESEARCH AND DEVELOPMENT

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

For example, in 2017 the 4DX concept was introduced at a number of cinemas and the new Kinepolis app was released in all countries.

Otherwise, Kinepolis continues to invest in optimizing its cash register and sales systems.

CONFLICT OF INTERESTS POLICY

On 16 and 20 March 2017 following decisions were taken by the Board of Directors, pursuant to Article 523 of the Companies Code:

- Decision regarding the press release on the decision of the Court of Appeal on the case of the alleged use of insider information for the share transactions by Executive Management and the chairman of the Board of Directors;
- Evaluation of the 2016 management targets for the Executive Management;
- The allocation of the resulting variable remuneration in the amount of € 330 000 to Mr. Eddy Duquenne and € 181 500 to Mr. Joost Bert, as well as a discretionary bonus in the amount of € 70 000 to Mr. Eddy Duquenne due to the results achieved in the divestment of Utopolis Belgium;
- Establishment of the management targets for fiscal year 2017;
- The setting of the remuneration for the Executive Management for the fiscal years 2017-2018.

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 concerning the appropriation of profit and payment of dividend various factors were taken into consideration by the Board of Directors, including the Company's financial situation, operating profits, current and expected cash flows and expansion plans.

The payment of a gross amount of € 0.90⁽¹⁾ per share for fiscal year 2017 is proposed, based on a pay-out ratio of 50% of net profit. Subject to the approval of the General Meeting, the Board of Directors decided to make the dividend available to shareholders through a financial institution of their choice on 17 May 2018 (ex-date: 15 May 2018; record date: 16 May 2018).

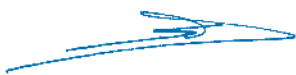
(1) Based on the number of dividend eligible shares on 23/02/2018.

Statement regarding the information incorporated in this annual report

Undersigned certify that, to their knowledge,

- The consolidated financial statements which have been prepared in accordance with the suitable 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 on 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 which they are exposed to.

21 March 2018



Eddy Duquenne
CEO Kinepolis Group



Joost Bert
CEO Kinepolis Group



Joost Bert and Eddy Duquenne, CEOs Kinepolis Group

05 SHARE INFORMATION



Kinepolis Breda (NL)



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

KIN
LISTED
NYSE
EURONEXT

The Kinopolis Group share

NUMBER OF SHARES ⁽³⁾

	2013	2014	2015	2016	2017
Number of shares at 31 December	27 913 270	27 365 197	27 365 197	27 365 197	27 365 197
Weighted average number of ordinary shares ⁽¹⁾	27 159 060	26 288 260	26 782 831	27 214 153	27 232 851
Weighted average number of diluted shares ⁽²⁾	28 141 535	27 341 842	27 138 627	27 249 350	27 268 051

SHARE TRADING ⁽³⁾

	2013	2014	2015	2016	2017
Closing price at 31 December (in €)	23.02	33.46	41.40	42.50	55.66
Market value at closing price (in '000 €)	642 563	915 639	1 132 919	1 163 021	1 523 147
Lowest price of the year (in €)	16.0	22.9	32.9	35.2	42.1
Highest price of the year (in €)	23.5	34.3	41.6	42.7	61.3
Traded year volume	6 830 265	4 719 540	7 590 604	3 484 211	3 891 319
Average traded day volume	26 785	18 430	29 651	13 557	15 260

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

(2) Weighted average number of diluted shares: average of number of outstanding shares – average number 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) On 1 July 2014 each Kinopolis share was split into five new shares. 2013 and the first six months of 2014 were recalculated in that sense.

Source: Euronext.com



BELL CEREMONY KINEPOLIS GROUP 20 YEARS AS A LISTED COMPANY

To mark the **20th anniversary of our stock market listing**, Euronext has invited Kinopolis Group to a celebratory Opening Bell Ceremony at Euronext Brussels on 17 April 2018.

A Bell Ceremony has grown into an established and well-known tradition at Euronext to announce the opening and closing of the markets.

The media will be invited to this event and it will be shared on social media, while the **Bell Ceremony** will also be broadcasted (www.bourse.be and www.beurs.be/ www.euronext.com) and photos will be published on the websites.

Kinopolis Group is honored to be able to celebrate this 20th birthday.



SHARE PRICE AND VOLUME OVER LAST TEN YEARS ⁽⁴⁾



SHARE PRICE COMPARISON BETWEEN KINEPOLIS AND PEERS OVER THE PAST FIVE YEARS



⁽⁴⁾ As a consequence of the share split on 1 July 2014, the historical share price has been recalculated (price divided by five).

06 FINANCIAL REPORT

Kinepolis Group nv





Kinepolis Group nv (the 'Company') is a company established in Belgium. The consolidated financial statements of the Company for the year ending 31 December 2017 include the Company and its subsidiaries (together the 'Group').

These consolidated financial statements were approved for publication by the Board of Directors on 21 March 2018.



Entrance hall Kinepolis Antwerp (BE)

Consolidated income statement

at 31 December

IN '000 €	NOTE	2016	2017
Revenue	3	324 938	355 427
Cost of sales		-224 729	-242 032
Gross profit		100 209	113 395
Marketing and selling expenses		-18 620	-20 418
Administrative expenses		-19 059	-22 794
Other operating income	4	981	3 045
Other operating expenses	4	-304	-313
Operating profit		63 207	72 915
Finance income	7	866	1 891
Finance expenses	7	-8 485	-10 104
Profit before tax		55 588	64 702
Income tax expenses	8	-16 622	-15 635
Profit for the period from continuing operations		38 966	49 067
Profit from discontinued operations, net of tax	10	8 680	
PROFIT FOR THE PERIOD		47 646	49 067
Attributable to:			
Owners of the Company		47 646	49 067
PROFIT FOR THE PERIOD		47 646	49 067
Basic earnings per share from continuing operations (€)		1.43	1.80
Basic earnings per share from discontinued operations (€)		0.32	
Basic earnings per share (€)	19	1.75	1.80
Diluted earnings per share from continuing operations (€)		1.43	1.80
Diluted earnings per share from discontinued operations (€)		0.32	
Diluted earnings per share (€)	19	1.75	1.80

Consolidated statement of profit or loss and other comprehensive income

at 31 December

IN '000 €	NOTE	2016	2017
Profit for the period		47 646	49 067
Realized results		47 646	49 067
Items that are or may be reclassified to profit or loss:			
Translation differences		-277	-210
Cash flow hedges – effective portion of changes in fair value		-334	119
Cash flow hedges – net change in the fair value reclassified to profit or loss		-63	
Taxes on other comprehensive income		319	-27
		-355	-118
Items that will not be reclassified to profit or loss:			
Changes to estimates of defined benefit plans	5	-541	-50
		-541	-50
Other comprehensive income for the period, net of tax		-896	-168
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		46 750	48 899
Attributable to:			
Owners of the Company		46 750	48 899
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		46 750	48 899

The notes on pp. 88-147 are fully part of these consolidated financial statements.

Consolidated statement of financial position

at 31 December

ASSETS

IN '000 €	NOTE	2016	2017
Intangible assets	9	5 900	9 049
Goodwill	10	53 255	86 393
Property, plant and equipment	11	321 457	389 999
Investment property	12	31 007	17 748
Deferred tax assets	13	902	1 182
Other receivables	15	11 574	10 120
Other financial assets		27	27
Non-current assets		424 122	514 518
Inventories	14	5 292	4 750
Trade and other receivables	15	29 370	40 778
Current tax assets	24	418	841
Cash and cash equivalents	16	44 244	157 398
Assets classified as held for sale	17		2 670
Current assets		79 324	206 437
TOTAL ASSETS		503 446	720 955

EQUITY AND LIABILITIES

IN '000 €	NOTE	2016	2017
Share capital	18	18 952	18 952
Share premium	18	1 154	1 154
Consolidated reserves		130 863	157 569
Translation reserve		-1 071	-1 281
Total equity attributable to owners of the Company		149 898	176 394
Equity		149 898	176 394
Loans and borrowings	21	207 278	342 106
Provisions for employee benefits	5	544	572
Provisions	22	6 664	17 118
Deferred tax liabilities	13	18 324	18 159
Derivative financial instruments		333	214
Other payables	23	9 174	7 954
Non-current liabilities		242 317	386 123
Bank overdrafts	16	34	33
Loans and borrowings	21	6 996	39 873
Trade and other payables	23	90 653	108 298
Provisions	22	1 366	2 509
Current tax liabilities	24	12 182	7 725
Current liabilities		111 231	158 438
TOTAL EQUITY AND LIABILITIES		503 446	720 955

Consolidated statement of cash flow

at 31 December

IN '000 €	NOTE	2016	2017
Profit before tax		55 589	64 702
Adjustment for:			
Depreciation and amortization	6	27 621	31 039
Provisions and impairments		269	-1 265
Government grants	4	-1 031	-949
(Gains) Losses on sale of fixed assets	4	102	-1 810
Change in fair value of derivative financial instruments and unrealized foreign exchange results			-56
Changes in fair value of contingent considerations	10		-642
Unwinding of non-current receivables	7, 22	-584	391
Share-based payments	5	84	1 290
Amortization of refinancing transaction costs		320	315
Interest expenses and income	7	6 813	7 449
Change in inventory		-598	1 332
Change in trade and other receivables		4 333	1 681
Change in trade and other payables		3 053	-2 042
Cash from operating activities		95 971	101 435
Income taxes paid		-26 764	-24 149
Net cash from operating activities		69 207	77 286
Acquisition of intangible assets	9	-1 760	-1 908
Acquisition of property, plant and equipment and investment property	11, 12	-58 047	-30 861
Acquisition of subsidiaries, net of acquired cash	10	-24 740	-83 506
Proceeds from sale of real estate and intangible and tangible assets	9, 11, 12	310	15 787
Proceeds from sale of subsidiary	10	34 990	
Net cash used in investing activities		-49 247	-100 488
New loans and borrowings	21		174 850
Repayment of loans and borrowings	21	-8 714	-7 011
Payment of transaction costs with regard to refinancing obligations	25	-45	-450
Interest paid	7	-7 473	-7 327
Interest received		59	7
Repurchase and sale of own shares	20	1 514	
Dividends paid	18	-21 480	-23 691
Net cash – used in / + from financing activities		-36 139	136 378
+INCREASE/ -DECREASE IN CASH AND CASH EQUIVALENTS		-16 179	113 176
Cash and cash equivalents at beginning of the period	16	60 388	44 210
Cash and cash equivalents at end of the period	16	44 210	157 365
Effect of movements in exchange rates on cash and cash equivalents		1	-21
+INCREASE/ -DECREASE IN CASH AND CASH EQUIVALENTS		-16 179	113 176

The notes on pp. 88-147 are fully part of these consolidated financial statements.

Consolidated statement of changes in equity

at 31 December

IN '000 €	2017						EQUITY
	ATTRIBUTABLE TO OWNERS OF THE COMPANY						
	SHARE CAPITAL AND SHARE PREMIUMS	TRANSLATION RESERVE	HEDGING RESERVE	TREASURY SHARES RESERVE	SHARE-BASED PAYMENTS RESERVE	RETAINED EARNINGS	
AT 31 DECEMBER 2016	20 106	-1 071	-38	-3 727		134 628	149 898
Profit for the period						49 067	49 067
Items that are or may be reclassified to profit or loss:							
Translation reserve		-210					-210
Cash flow hedges – effective portion of changes in fair value			119				119
Taxes on other comprehensive income			-27				-27
		-210	92				-118
Items that will not be reclassified to profit or loss:							
Change to estimates of defined benefit plans ⁽¹⁾						-50	-50
						-50	-50
Other comprehensive income for the period, net of tax		-210	92			-50	-168
Total comprehensive income		-210	92			49 017	48 899
Dividends						-23 693	-23 693
Transfer between reserves ⁽²⁾				1 200		-1 200	
Share-based payment transactions ⁽³⁾					1 290		1 290
Total transactions with owners, recorded directly in equity				1 200	1 290	-24 893	-22 403
AT 31 DECEMBER 2017	20 106	-1 281	54	-2 527	1 290	158 752	176 394

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

⁽²⁾ For more information, we refer to note 18.

⁽³⁾ For more information, we refer to note 20.

IN '000 €	2016						
	ATTRIBUTABLE TO OWNERS OF THE COMPANY						EQUITY
	SHARE CAPITAL AND SHARE PREMIUMS	TRANSLATION RESERVE	HEDGING RESERVE	TREASURY SHARES RESERVE	SHARE-BASED PAYMENTS RESERVE	RETAINED EARNINGS	
AT 31 DECEMBER 2015	20 106	-794	40	-4 439	247	107 873	123 033
Profit for the period						47 646	47 646
Items that are or may be reclassified to profit or loss:							
Translation reserve		-277					-277
Cash flow hedges – effective portion of changes in fair value			-334				-334
Cash flow hedges – net change in the fair value reclassified to profit or loss			-63				-63
Taxes on other comprehensive income			319				319
		-277	-78				-355
Items that will not be reclassified to profit or loss:							
Changes to estimates of defined benefit plans						-541	-541
						-541	-541
Other comprehensive income for the period, net of tax		-277	-78			-541	-896
Total comprehensive income		-277	-78			47 105	46 750
Dividends						-21 484	-21 484
Own shares acquired / sold				712		802	1 514
Share-based payment transactions					-247	332	85
Total transactions with owners, recorded directly in equity				712	-247	-20 350	-19 885
AT 31 DECEMBER 2016	20 106	-1 071	-38	-3 727		134 628	149 898

The notes on pp. 88-147 are fully part of these consolidated financial statements.

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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 2017 include the Company and its subsidiaries (together the 'Group'). These consolidated financial statements were approved for publication by the Board of Directors on 21 March 2018.

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 2017.

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, financial assets available for sale and net liabilities (assets) from defined benefit plans.

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

The accounting policies have been applied consistently across the Group. They are consistent with those applied in the previous financial period.

A number of new standards and amendments to existing standards that became applicable to the preparation of the consolidated annual accounts on 1 January 2017 gave no cause to change the Group's accounting rules and have no material impact on the consolidated financial statements.

The preparation of the financial statements under IFRS requires management to make judgments, 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 judgment 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 recognized 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.

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

- Determining the useful life of intangible assets and property, plant and equipment, with the exception of goodwill (see related accounting policies);
- Assessing the necessity of and estimating impairment losses on intangible assets (including goodwill) and property, plant and equipment;
- Recording and calculating provisions;
- Assessing the degree to which losses carried forward will be used in the future;
- Classifying leases (see notes 11 and 26);
- Prospectively evaluating the effectiveness of cash flow hedges (see note 25).
- Determining the fair value of the contingent considerations within the framework of business combinations (see notes 10 and 25).
- Calculating provisions for employee benefits (see note 5).

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.

Recoverability of deferred tax assets

Deferred tax assets for unused tax losses will only be recognized if future taxable profits will be available to be able to recover these losses (based on budgets and forecasts).

The actual tax result may differ from the assumption made when the deferred tax was recorded. We refer to note 13 for the relevant assumptions.

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, among other things, to discount rates, exchange rates, future investments and expected operating efficiency. We refer to note 10 for the relevant assumptions.

Provisions

The estimates and judgments 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 the balance sheet date. We refer to note 22 for the relevant assumptions.

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 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 a bargain purchase is recognized in profit or loss immediately. 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 recognized 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 recognized 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. By control is understood that the Company is exposed to or has rights to variable returns from its involvement in the investee, and has the ability to affect these returns through its power over the investee.

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

Losses realized 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 derecognized and the ensuing gains or losses are recognized in the income statement. Each result with regard to the loss of control will be included in the income statement. Any remaining interest in the former subsidiary will be recognized at fair value on the date of loss of control, after which it will be recognized as an associated company or as a financial asset available for sale, depending on the level of control retained.

Equity accounted investees

Equity accounted investees are entities over which the Group exercises significant influence, but not control or joint control, over the financial and operational policies. 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 recognized 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 starting to the ending 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 recognized, 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 recognized 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 unrealized gains and losses on transactions within the Group or gains or losses from such transactions, are eliminated in the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated proportionally to the Group's interest in the investee.

Unrealized losses are eliminated in the same way as unrealized 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 recognized at fair value are translated to Euro at the exchange rates on the date on which the fair value was determined. Exchange rate differences occurring in the translation are immediately recognized in the income statement, with the exception of exchange rate differences with regard to equity instruments available for sale.

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.

Exchange rate differences arising from translation are recognized immediately in equity.

If the settlement of monetary receivables from and 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 recognized in other comprehensive income under the translation reserve.

FINANCIAL INSTRUMENTS

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

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, trade and other payables.

Non-derivative financial instruments are initially recognized at fair value plus (or less for loans and borrowings), for instruments not measured at fair value with changes in value recognized through profit or loss, any directly

attributable transaction costs. After initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents

Cash and cash equivalents comprise the cash and deposits withdrawable on demand with a remaining term of no more than three months, whereby the risk of changes in the fair value is negligible. Bank overdrafts that are repayable on demand, 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 available for sale – Investments in equity securities

Investments in equity securities consist of participating interests in entities over which the Group has no control or no significant influence.

These equity securities are classified as financial assets available for sale and recorded at fair value on initial recognition, except for equity securities not listed on an active market and for which the fair value cannot reliably be determined. Participating interests not eligible for valuation at fair value are recorded at historical cost. Profits and losses resulting from the change in fair value of a participating interest classified as a financial asset available for sale and which is not hedged are taken directly into equity. When the investment is sold, received or otherwise transferred, or when the carrying amount of the investment is impaired, the accumulated profit or loss previously included in equity is transferred to the income statement.

The fair value of financial assets available for sale is their listed bid price on the balance sheet date.

Other non-derivative financial instruments

Other non-derivative financial instruments are measured at amortized cost using the effective interest rate method less any impairment losses.

Share capital

Ordinary shares are classified as equity. Additional costs which are directly attributable to the issue 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 directly attributable costs, is viewed as a change in equity. Purchase of treasury shares is recognized as a deduction from equity. The profit or loss pursuant to the sale or cancellation of treasury shares is directly recognized in equity.

Dividends are recognized 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, the cumulative profits or losses are

removed from equity and transferred to the carrying amount of the asset. 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 is recognized 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 recognized immediately in the income statement.

At initial designation 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 still has not taken place, the cumulative gains or losses remain in equity and will be recognized 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 taken into the income statement.

Fair value hedges

Hedge accounting is not applied to derivative instruments which are used for fair value hedging of foreign currency denominated monetary assets and liabilities. Changes in the fair value of such derivatives are recognized 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 and a proportionate share of the production overhead, 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 recognized within other operating income and expenses in the income statement.

Leased assets

Leases that transfer to the Group nearly all the risks and rewards of ownership of an asset are classified as finance leases. Buildings and equipment acquired under finance leases are recorded at the lower of the fair value or the present value of the minimum lease payments at the beginning of the lease agreement, less cumulative depreciation and impairments. Leased assets are depreciated over the term of the lease or the useful life, whichever is shorter, except if it is reasonably certain that the Group will assume ownership of the leased assets at the end of the lease term.

Subsequent expenditure

The cost price of replacing part of a property, plant and equipment is included in the carrying value 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 cost of daily maintenance of property, plant and equipment is expensed in the income statement as and when incurred.

Depreciation

Depreciation is charged to the income statement using the straight-line method over the expected useful life of the asset, or 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 up to a maximum of 30 years.

The estimated useful lives are:

- Buildings: 30 years
- Fixtures: 5 – 15 years
- Computers: 3 years
- Plant, machinery and equipment: 5 – 10 years
- Furniture and vehicles: 3 – 10 years

INVESTMENT PROPERTY

Investment property is property that is held in order to earn rental 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 cumulative depreciation and impairments. The accounting policies for property, plant and equipment apply.

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

INTANGIBLE ASSETS AND GOODWILL

Goodwill

Up to and including 2009 goodwill was determined as the difference between the purchase price and the Group's share in the fair value of the acquired identifiable net assets.

The following accounting policy applies as from 2010. Goodwill from an acquisition is the positive difference between the fair value of the consideration transferred plus the carrying amount of any non-controlling interest in the enterprise, or the share in the equity of the acquired enterprise if the acquisition occurs in phases, on the one hand, and the Group's share in the fair value of the acquired identifiable assets and liabilities, on the other.

If this difference is negative, it is immediately recognized 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 amortized. Instead, it is subject to an annual impairment test.

Intangible assets

Intangible assets acquired by the Group are measured at cost less accumulated amortization and impairment losses (see below). Costs of internally generated goodwill and brands are recognized in the income statement as incurred. Intangible assets with indefinite useful lives are not amortized, but tested for impairment annually or whenever there is a valid reason to do so. The indefinite life is re-assessed 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 capitalized 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 assets, 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 capitalized only when it increases the future economic benefits specific to the related asset. All other expenditure is expensed as incurred.

Amortization

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

INVENTORIES

Inventories are measured at the lower of cost or net realizable value. The net realizable 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 using the FIFO method.

IMPAIRMENT

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. When 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 charged to the income statement. Impairment losses recorded in respect of cash generating units are first deducted from the carrying amount of any goodwill assigned to cash generating units (or groups of units) and then proportionally from the carrying amount of the other assets of the unit (or group of units).

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 in determining 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.

Non-derivative financial assets

Financial assets that are not measured at fair value with recognition of changes in value in the income statement, including investments that are recognized using the equity method, are assessed at every balance sheet date to determine whether there are objective indications that they have been impaired. A financial asset is deemed to be impaired if there are objective indications that an event has occurred after the initial recognition of the assets that has had a negative impact on the expected future cash flows of that asset and for which a reliable estimate can be made.

Objective indications that financial assets are impaired include the non-fulfilment of payment obligations by and overdue payments of a debtor, restructuring of an amount owed to the Group under conditions that the Group otherwise would not have considered, indications that a debtor or issuer will go bankrupt, detrimental changes in the payment status of debtors or issuers or economic circumstances that go together with defaults. In addition, a significant or prolonged decline in the fair value of investments in equity instruments below cost is an objective indication of impairment. The Group judges that a decline of 20% can be considered to be significant and that a period of nine months can be considered to be prolonged.

Financial assets measured at amortized cost

Significant financial assets measured at amortized cost are tested individually for impairment. The other financial assets measured at amortized cost are classified in groups with comparable credit-risk characteristics and 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 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 suggest.

An impairment loss with regard to a financial asset measured at amortized cost is calculated 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. Losses are recognized in the income statement.

If an event leads to a reduction of the impairment, this reduction is reversed through the income statement.

Financial assets available for sale

Impairments on financial assets available for sale are recognized by reclassifying the accumulated loss in the fair value reserve in equity to the income statement. The amount of the cumulative loss transferred from equity to the income statement is equal to the difference between the acquisition price, after deduction of any repayment of the principal, and the current fair value, less any impairment loss that has already been included in the income statement. Changes in provisions for impairments attributable to the application of the effective interest rate method are recognized in interest income.

If the fair value of a financial asset available for sale increases in a subsequent period and the rise can be linked objectively to an event that occurred after the recognition of the impairment loss in the income statement, the impairment loss is reversed. However, if the fair value of an impaired equity instrument available for sale recovers in a subsequent period, the recovered amount is recognized in other comprehensive income.

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 Group's financial accounting policies. 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 disposal group 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 recognized 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 remuneration in kind. These are expensed when the services in question are provided. Some of the Group's employees are eligible to a bonus, based on personal performance and financial targets. The bonus amount recognized 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 contribution plans are rec-

ognised 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, recognized 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 schemes.

The liability recognized on the balance sheet for these defined contribution schemes 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 mathematic reserves that are accrued within the insured plans.

Revaluations of the net liability ensuing from defined pension schemes, which consists 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 recognized directly in other comprehensive income.

The Group determines the net liability (the net asset) ensuing from defined contribution schemes 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 recognized in profit and loss.

If the pension entitlements ensuing from a scheme are changed or a scheme is restricted, the resulting change in entitlements with regard to past service or the profit

or loss on that restriction is recognized 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 the thirty days prior to the date of offer. No compensation costs or liabilities are recognized.

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 based on the number of awards for which the service conditions in question 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 own 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 the shares are derecognized at the average price of the total package of shares purchased that were allocated to the options in question. The difference between the options exercise price and the average price of the shares in question is recognized directly in equity.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes the restructuring expenses. If benefits are payable more than twelve months after the reporting date, then they are 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 recognized for future operating costs.

Site restoration

In accordance with the Group's contractual obligations 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 recognizes any impairment loss on the assets relating to the contract. Payments received to compensate for rent are also recognized as a provision for onerous contracts. The provision for onerous contracts is re-assessed annually and adjusted if required. For more information, we refer to notes 10 and 22.

REVENUE

Sales of goods and services

The revenue from the sale of goods is recognized in the income statement as from the moment the significant risk and rewards of ownership have transferred to the purchaser. Where services are provided the income is recognized in the income statement upon delivery of this service.

- Box office revenue from the sale of cinema tickets (and 3D glasses) is recognized as revenue on the date of showing of the film it relates to;
- In-theatre sales (ITS) comprises all revenue from the sale of beverages, snacks and merchandising in the complexes. In-theatre sales are recognized as revenue at the checkout;
- Revenue from the advance sale of tickets or other prepaid gift vouchers are recognized in current loans and borrowings and recognized when the ticket

holder uses the ticket. The administrative fee is immediately recognized as revenue;

- Events (business to business) are recognized as revenue as soon as the event is held. If the event takes place over a longer period of time, the revenue is recognized on a straight line basis over the duration of the event;
- Revenue generated from screen advertising is recognized spread over the period in which the advertising is shown;
- The theatrical revenue from film distribution will be recognized over the term of the film when the number of visitors is known. Revenue from after theatrical rights are recognized when they can be reasonably estimated.

Rental income

Rental income is recognized in the income statement on a straight-line basis over the rental period. Lease incentives granted are regarded as an integral part of rental income.

Government grants

Government grants are regarded as accrued income in the statement of financial position and initially measured at fair value whenever reasonable certainty exists that they will be received and that the Group will comply the associated conditions. Grants that compensate incurred costs are systematically recognized in the income statement in the same period as the costs are incurred. Grants that compensate costs incurred in respect of assets are systematically recognized in the income statement over the useful life of the assets.

Finance income

Finance income comprises 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 recognized in the income statement.

Interest income is recognized 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 compensated per currency.

EXPENSES

Payments relating to operating lease agreements

Payments relating to operating lease agreements are taken into the income statement on a straight-line basis over the lease period. Payments received to compensate for rent are recognized in the income statement spread over the lease period. In line with IAS 17, all known rent rises and falls and rent-free periods must be spread proportional over the term of the contract. This lease harmonization is recognized in the income statement over the lease period.

Payments relating to finance lease agreements

The minimum lease payments are recorded partly as finance expenses and partly as repayment of the outstanding liability. Finance 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.

Finance expenses

The finance expenses comprise interest to be paid on loans, foreign exchange losses, the unwinding of discounts on non current provisions and losses on hedging instruments that are recognized in the income statement.

Interest charges are recognized based on the effective interest method.

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

Foreign exchange gains and losses are compensated per currency.

INCOME TAX EXPENSES

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 recognized directly in equity.

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 notes 8 and 28.

Additional income tax resulting from issuing dividends is recorded 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 recorded for the following temporary differences: initial recording of assets and liabilities in a transaction that is not a business combination and that do not affect the accounting or taxable profits and differences relating to investments in subsidiaries to the extent that an offsetting entry is unlikely in the near future. The amount of the deferred tax is based on expectations as to the realization of the carrying value of the assets and liabilities, using the tax rates in effect or those of which the enactment has been substantively completed at the balance sheet date.

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

The deferred and current tax receivables and liabilities are offset per tax jurisdiction in so far as there is a de jure enforceable right to balance the amounts recognized and an intention to settle the liability on a net basis or to realize the receivable at the same time as the liability is settled.

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 organized geographically. The different countries constitute operating segments, in accordance with the internal reporting to the CEOs and CFO of the Group.

DISCONTINUED OPERATIONS

Classification as discontinued operations occurs upon the disposal of or, if earlier, when the business activity fulfills 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 31 December 2017, and have not been applied in preparing these consolidated financial statements:

IFRS 15 Revenue from Contracts with Customers

establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Barter Transactions Involving Advertising Services. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. This standard, including amendments (issued on 12 April 2016), has been endorsed by the EU.

The Group analyzed IFRS 15 in 2016 and does not foresee any material impact on the consolidated financial statements when this standard is applied.

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 lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. For lessors, there is little change to the existing accounting in IAS 17 Leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. This new standard has been endorsed by the EU.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements. However this assessment is not complete, as it does not include the Landmark Cinemas acquisition of 8 December 2017. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

The new requirement to recognize a right-of-use and a related lease liability is expected to have a significant impact on the amounts recognized in the Group's consolidated financial statements. The most significant impact identified is that the Group will recognize new assets and liabilities for its operating leases of buildings and complexes, projectors, cars, containers and safes. The assets will be on a separate line in the balance sheet (right-of-use assets). It is not practicable to provide a reasonable estimate of the financial effect until the Group has completed its review including the recently acquired Landmark Cinemas. As at 31 December 2017, the Group's future minimum lease payments, first possible cancellation taken into account, amounted to € 214,0 million, on an undiscounted basis (see Note 26).

In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

In contrast to finance leases where the Group is a lessee, as the Group has already recognized an asset and a related finance lease liability for the lease arrangement, and in cases where the Group is lessor, the application of IFRS 16 is not expected to have a significant impact on the amounts recognized in the Group's consolidated financial statements.

IFRS 9 Financial Instruments, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements, which align hedge accounting more closely with risk management. It carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. This new standard has been endorsed by the EU.

The Group does not intend to early adopt this standard. The Group performed a materiality analysis and based on the results, these amendments are expected to have no significant influence on the consolidated financial statements of the Group (see note 25 – Credit risk).

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2), issued on 20 June 2016, covers three accounting areas: the measurement of cash-settled share-based payments; the classification of share-based payments settled net of tax withholdings; and the accounting for a modification of a share-based payment from cash-settled to equity-settled. The amendments are effective for annual periods commencing on or after 1 January 2018. As a practical simplification, the amendments can be applied prospectively so that prior periods do not have to be restated. Retrospective, or early application is permitted if companies have the required information. The amendments are not expected to have a material impact on the Group's consolidated financial statements. These amendments have been endorsed by the EU in 2018.

Transfers of property assets to/from, investment property (Amendments to IAS 40), issued on 8 December 2016, clarifies that a property asset is transferred to, or from, investment property when and only when there is an actual change in use. A change in management intention alone does not support a transfer. The amendments are effective for annual periods beginning on or after 1 January 2018, with earlier adoption permitted. The amendments are not expected to have a material impact on the Group's consolidated financial statements. These amendments have not yet been endorsed by the EU.

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28), issued on 12 October 2017, clarifies how companies should account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9. The amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The amendments are not expected to have a material impact on the Group's consolidated financial statements. These amendments have not yet been endorsed by the EU.

IFRIC 22 Foreign currency transactions and Advance consideration, issued on 8 December 2016, clarifies the transaction date to be used to determine the exchange rate for translating foreign currency transactions involving an advance payment or receipt. The interpretation is effective for annual periods beginning on or after 1 January 2018, with earlier adoption permitted. The amendments are not expected to have a material impact on the Group's consolidated financial statements. This interpretation has not yet been endorsed by the EU.

IFRIC 23 Uncertainty over Income Tax Treatments, issued on 7 June 2017, clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognize and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation. An entity is required to assume that a tax authority with the right to examine and challenge tax treatments will examine

those treatments and have full knowledge of all related information. Detection risk is not considered in the recognition and measurement of uncertain tax treatments. The entity should measure 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 interpretation is effective for annual periods beginning on or after 1 January 2019, with earlier adoption permitted. The amendments are not expected to have a material impact on the Group's consolidated financial statements. This interpretation has not yet been endorsed by the EU.

Annual improvements to IFRSs 2014-2016 Cycle, issued on 8 December 2016, covers the following minor amendments:

- IFRS 1 *First-time Adoption of IFRS*: removes outdated exemptions for first-time adopters of IFRS (effective for annual periods beginning on or after 1 January 2018);
- IAS 28 *Investments in Associates and Joint Ventures*: the amendments clarify that a venture capital organization, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis. A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. These amendments are effective for annual periods beginning on or after 1 January 2018, with earlier adoption permitted.

The amendments are not expected to have a material impact on the Group's consolidated financial statements. These amendments have been endorsed by the EU in 2018.

Annual improvements to IFRSs 2015-2017 Cycle, issued on 12 December 2017, covers the following minor amendments:

- IFRS 3 *Business Combinations*: the amendments clarify that a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11 *Joint Arrangements*: the amendments clarify that a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 *Income Taxes*: the amendments clarify that a company accounts for all income tax consequences of dividend payments consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI or equity.
- IAS 23 *Borrowing Costs*: the amendments clarify that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted.

The amendments are not expected to have a material impact on the Group's consolidated financial statements. These amendments have not yet been endorsed by the EU.

2. Segment reporting

Segment information is given for the Group's geographic segments. The geographic segments reflect the countries in which the Group operates. Prices for inter-segment transactions are determined at arm's length. The segmented 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.

Finance income and cost, income tax expense and their related assets and 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, Spain, the Netherlands, Luxembourg and Canada. The Polish and Swiss activities are combined in the 'Other' geographic segment, in accordance with the internal reporting to the Group's CEOs and CFO. Canada was added as a segment in 2017 as a result of the acquisition of Landmark 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.

INCOME STATEMENT

IN '000 €	2017								
	BELGIUM	FRANCE	CANADA	SPAIN	NETHERLANDS	LUXEMBOURG	OTHER (POLAND & SWITZERLAND)	NOT ALLOCATED	TOTAL
Segment revenue	192 743	73 544	12 129	43 918	44 008	15 314	5 015		386 671
Inter-segment revenue	-30 833	-120		-235			-56		-31 244
Revenue	161 910	73 424	12 129	43 683	44 008	15 314	4 959		355 427
Cost of sales	-106 022	-48 274	-7 672	-31 584	-34 562	-11 173	-2 745		-242 032
Gross profit	55 888	25 150	4 457	12 099	9 446	4 141	2 214		113 395
Marketing and selling expenses	-12 330	-2 936	-311	-2 344	-1 578	-685	-234		-20 418
Administrative expenses	-16 996	-1 662	-1 559	-824	-1 162	-252	-339		-22 794
Other operating income	1 981	685			64	316	-1		3 045
Other operating expenses	-153			-100	-60				-313
Segment profit	28 390	21 237	2 587	8 831	6 710	3 520	1 640		72 915
Finance income								1 891	1 891
Finance expenses								-10 104	-10 104
Profit before tax									64 702
Income tax expense								-15 635	-15 635
Profit for the period from continuing operations									49 067
PROFIT FOR THE PERIOD									49 067

STATEMENT OF FINANCIAL POSITION – ASSETS

IN '000 €	2017								
	BELGIUM	FRANCE	CANADA	SPAIN	NETHERLANDS	LUXEMBOURG	OTHER (POLAND & SWITZERLAND)	NOT ALLOCATED	TOTAL
Intangible assets	5 190	422	2 896	300	214	27			9 049
Goodwill	6 586	11 804	33 138	2 858	19 661	5 844	6 502		86 393
Property, plant and equipment	75 393	72 326	69 941	49 084	104 366	12 365	6 524		389 999
Investment property				6 721			11 027		17 748
Deferred tax assets								1 182	1 182
Other receivables	3	9 199	274	653	-20	11			10 120
Other financial assets								27	27
Non-current assets	87 172	93 751	106 249	59 616	124 221	18 247	24 053	1 209	514 518
Inventories	2 565	472	666	422	497	84	44		4 750
Trade and other receivables	17 940	9 944	8 645	1 490	1 445	1 083	231		40 778
Current tax assets								841	841
Cash and cash equivalents								157 398	157 398
Assets classified as held for sale			2 670						2 670
Current assets	20 505	10 416	11 981	1 912	1 942	1 167	275	158 239	206 437
TOTAL ASSETS	107 677	104 167	118 230	61 528	126 163	19 414	24 328	159 448	720 955

STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

IN '000 €	2017								TOTAL	
	BELGIUM	FRANCE	CANADA	SPAIN	NETHERLANDS	LUXEMBOURG	OTHER (POLAND & SWITZERLAND)	NOT ALLOCATED		
Share capital and share premiums									20 106	20 106
Consolidated reserves									157 570	157 570
Translation reserve									-1 281	-1 281
Total equity attributable to owners of the Company									176 395	176 395
Equity									176 395	176 395
Financial liabilities									342 106	342 106
Provisions for employee benefits	572									572
Provisions	2 419	104	10 417		4 177					17 117
Deferred tax liabilities									18 159	18 159
Other payables	428	7 209	3	251	63				214	8 168
Non-current liabilities	3 419	7 313	10 420	251	4 240				360 479	386 122
Bank overdrafts									33	33
Financial liabilities									39 873	39 873
Trade and other payables	49 139	19 622	21 002	7 301	7 816	2 864	554			108 298
Provisions	3	335	1 380		791					2 509
Current tax liabilities									7 725	7 725
Current liabilities	49 142	19 957	22 382	7 301	8 607	2 864	554		47 631	158 438
TOTAL EQUITY AND LIABILITIES	52 561	27 270	32 802	7 552	12 847	2 864	554		584 505	720 955

CAPITAL EXPENDITURE

IN '000 €	2017								TOTAL	
	BELGIUM	FRANCE	CANADA	SPAIN	NETHERLANDS	LUXEMBOURG	OTHER (POLAND & SWITZERLAND)	NOT ALLOCATED		
CAPITAL EXPENDITURE	11 794	4 191	2 469	3 415	12 285	1 140	328			35 622

NON-CASH ELEMENTS

IN '000 €	2017								TOTAL	
	BELGIUM	FRANCE	CANADA	SPAIN	NETHERLANDS	LUXEMBOURG	OTHER (POLAND & SWITZERLAND)	NOT ALLOCATED		
Depreciation, amortization, provisions and impairments	12 831	5 942	550	3 250	6 003	1 655	438			30 669
Other	1 290									1 290
TOTAL	14 121	5 942	550	3 250	6 003	1 655	438			31 959

Segment reporting at 31 December 2016

INCOME STATEMENT

IN '000 €	2016							TOTAL
	BELGIUM	FRANCE	SPAIN	NETHERLANDS	LUXEMBOURG	OTHER (POLAND & SWITZERLAND)	NOT ALLOCATED	
Segment revenue	180 909	71 375	42 732	35 941	14 321	4 721		349 999
Inter-segment revenue	-24 074	-502	-387	-4	-51	-43		-25 061
Revenue	156 835	70 873	42 345	35 937	14 270	4 678		324 938
Cost of sales	-103 093	-48 208	-30 392	-28 887	-11 449	-2 700		-224 729
Gross profit	53 742	22 665	11 953	7 050	2 821	1 978		100 209
Marketing and selling expenses	-11 710	-3 006	-2 158	-1 148	-401	-197		-18 620
Administrative expenses	-14 044	-1 596	-900	-1 265	-912	-342		-19 059
Other operating income	176	767	4	36	-1	-1		981
Other operating expenses	-177	-16	-26	-1	-84			-304
Segment profit	27 987	18 814	8 873	4 672	1 423	1 438		63 207
Finance income							866	866
Finance expenses							-8 485	-8 485
Profit before tax								55 588
Income tax expense							-16 622	-16 622
Profit for the period from continuing operations								38 966
Profit from discontinued operations, net of tax							8 680	8 680
PROFIT FOR THE PERIOD								47 646

STATEMENT OF FINANCIAL POSITION – ASSETS

IN '000 €	2016							TOTAL
	BELGIUM	FRANCE	SPAIN	NETHERLANDS	LUXEMBOURG	OTHER (POLAND & SWITZERLAND)	NOT ALLOCATED	
Intangible assets	5 052	425	300	123				5 900
Goodwill	6 586	11 804	2 858	19 661	5 844	6 502		53 255
Property, plant and equipment	76 615	75 446	50 246	98 856	13 136	7 158		321 457
Investment property	13 722		6 721			10 564		31 007
Deferred tax assets							902	902
Other receivables	30	10 925	615	-20	24			11 574
Other financial assets							27	27
Non-current assets	102 005	98 600	60 740	118 620	19 004	24 224	929	424 122
Inventories	3 779	413	447	529	71	53		5 292
Trade and other receivables	16 304	7 950	1 504	2 216	1 023	373		29 370
Current tax assets							418	418
Cash and cash equivalents							44 244	44 244
Current assets	20 083	8 363	1 951	2 745	1 094	426	44 662	79 324
TOTAL ASSETS	122 088	106 963	62 691	121 365	20 098	24 650	45 591	503 446

STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

IN '000 €								2016	
	BELGIUM	FRANCE	SPAIN	NETHERLANDS	LUXEMBOURG	OTHER (POLAND & SWITZERLAND)	NOT ALLOCATED	TOTAL	
Share capital and share premiums							20 106	20 106	
Consolidated reserves							130 863	130 863	
Translation reserve							-1 071	-1 071	
Total equity attributable to owners of the Company							149 898	149 898	
Equity							149 898	149 898	
Financial liabilities							207 278	207 278	
Provisions for employee benefits	544							544	
Provisions	2 233	122		4 153	156			6 664	
Deferred tax liabilities							18 324	18 324	
Other payables	1 070	7 903	187	14			333	9 507	
Non-current liabilities	3 847	8 025	187	4 167	156		225 935	242 317	
Bank overdrafts							34	34	
Financial liabilities							6 996	6 996	
Trade and other payables	48 449	20 913	8 655	9 465	2 563	608		90 653	
Provisions	89	766		511				1 366	
Current tax liabilities							12 182	12 182	
Current liabilities	48 538	21 679	8 655	9 976	2 563	608	19 212	111 231	
TOTAL EQUITY AND LIABILITIES	52 385	29 704	8 842	14 143	2 719	608	395 045	503 446	

CAPITAL EXPENDITURE

IN '000 €								2016	
	BELGIUM	FRANCE	SPAIN	NETHERLANDS	LUXEMBOURG	OTHER (POLAND & SWITZERLAND)	NOT ALLOCATED	TOTAL	
CAPITAL EXPENDITURE	8 345	11 400	5 636	34 224	104	98		59 807	

NON-CASH ELEMENTS

IN '000 €								2016	
	BELGIUM	FRANCE	SPAIN	NETHERLANDS	LUXEMBOURG	OTHER (POLAND & SWITZERLAND)	NOT ALLOCATED	TOTAL	
Depreciation, amortization, provisions and impairments	12 326	6 475	2 966	3 745	1 920	459		27 890	
Other	84							84	
TOTAL	12 410	6 475	2 966	3 745	1 920	459		27 974	

3. Revenue

The table below shows the breakdown of revenue by activity, product or service offered by the Group:

IN '000 €	2016	2017
Box office	175 574	192 289
In-theatre sales	72 860	84 987
Business-to-business	47 598	48 573
Brightfish	11 634	12 139
Film distribution	4 940	3 781
Real estate	12 216	13 610
Technical department	116	48
TOTAL	324 938	355 427

Box Office revenue increased faster than visitor numbers in all countries. This was due, among other things, to the increased sales of premium products, such as Cosy Seating, and the success of alternative content. The increase in the visitor numbers (+6.2%) is entirely due to the expansion of the Group by the addition of the cinemas in Rouen, Fenouillet, Granada (Nevada), Dordrecht, Breda and Utrecht in 2016 and Landmark Cinemas in December 2017.

In-theatre sales also increased, due, on the one hand, to the higher share of the Netherlands and Canada, with higher consumption on average, in the country mix and, on the other, to a rise in the number of shop visitors in all countries, combined in some countries with a rise in the number of products sold per visitor.

Business-to-business revenue increased due to the expansion, and a rise in revenue from screen advertising. Business-to-

business revenue includes exchange deals for € 10.8 million (2016: € 10.6 million).

Brightfish generated more revenue, primarily due to an increase in revenue from national and regional screen advertising.

After an excellent 2016 (with 'Safety First', 'Achter de Wolken', 'De Premier' and 'De Buurtpolitie'), Kinopolis Film Distribution (KFD) experienced a year with fewer film releases and less successful local content. The most successful local KFD films of 2017 were 'Het tweede Gelaat', 'Le Fidèle' and 'Helden Boven Alles'.

Among other things, the higher real estate revenue was driven by the expansion, more revenue from concessions managed in-house (Leonidas Chocolates Café), a higher occupancy rate and a higher fixed rent in Poland.

4. Other operating income and expenses

OTHER OPERATING INCOME

IN '000 €	2016	2017
Government grants	765	948
Capital gains on disposal of property, plant and equipment	106	1 902
Other	110	195
TOTAL	981	3 045

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 taken into result over the useful life of the related assets at € 0.9 million in 2017 (2016: € 0.8 million).

The capital gain on disposal of property, plant and equipment relates to the sale of the Toison d'Or building in Brussels (BE).

OTHER OPERATING EXPENSES

IN '000 €	2016	2017
Losses on disposal of property, plant and equipment	-214	-93
Losses on disposal of trade receivables		-160
Other	-90	-60
TOTAL	-304	-313

5. Employee benefit expenses

IN '000 €	2016	2017
Wages and salaries	-38 764	-41 716
Social security contributions	-9 386	-9 429
Employer contributions for employee insurances	-829	-998
Share-based payments	-84	-1 290
Other employee benefits	-2 999	-3 123
TOTAL	-52 062	-56 556
Total full-time equivalents at balance sheet date	1 124	1 771

The increase in employee benefit expenses in 2017 is mainly due to the higher number of full-time equivalents at 31 December 2017 due to the Group's expansion in the Netherlands and Canada (three weeks in 2017). This rise is partly offset by improved efficiency in staff planning in the cinemas in all countries and the maximized use of temporary staff in Belgium.

The share-based payments are related to the options granted in 2017. For more information, see 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 €	2016	2017
Defined benefit plan	541	572
Other	3	
TOTAL	544	572

The pension plans held in Belgium by the Group are included under 'defined benefit plan'.

The Group has two pension plans that are deemed to be pension plans with defined contributions by law. As Belgian law applies to all second pillar pension plans (the Vandenbroucke Law) all Belgian plans with defined contributions under IFRS are qualified as defined benefit plan. The Vandenbroucke Law states that, in the context of the

defined contribution plans, the employee must guarantee a minimum return of a percentage that is adjusted based on market returns but no less than 1.75% and no more than 3.75%, which reduces the risk for the employer.

These minimum return requirements for the defined contribution plans in Belgium exposes 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 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 recognized in the accounts as a defined benefit plan as under IAS 19.

As from 2016 the Group switched from the Intrinsic Value method to the Projected Unit Credit method. This change of method is considered to be a change in estimate and recognized through unrealized results in accordance with IAS 19R.

The amounts for the pension plans held in Belgium are determined as follows as at 31 December:

IN '000 €	2016	2017
Liability from defined contribution schemes	4 185	4 897
Fair value of fund investments	-3 644	-4 325
Net liability (-asset) from defined benefit plan	541	572

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:

	2016	2017
Weighted average discount rate	1.20% / 1.60% / 1.70%	1.60% / 1.70%
Expected inflation	1.75%	1.75%
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 €	2016	2017
Included in the income statement		
Pension costs allocated to the year of service	-301	-196
Interest expenses		-6
	-301	-202
Included in other comprehensive income		
Changes to estimates of defined benefit plans	-541	-50
	-541	-50
Total comprehensive income	-842	-252

The expected pension costs from defined benefit plans for 2018 are € 0.2 million and primarily relate to allocated pension costs.

SENSITIVITY ANALYSIS

IN '000 €	31 DECEMBER 2017	
	RISE	FALL
Discount rate (1% movement)	-389	499
Future pay fluctuation (1% movement)	44	-38
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;
- *Lifelong 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.

Dutch pension plans

In the Netherlands there is a pension fund for the whole media industry, which includes a pension plan for the film and cinema industry. It concerns a 'defined contribution' plan in which all employees of the Dutch entities, older than twenty, participate. There are no guarantees with regard to return. Costs related to the Dutch pension plans were € 0.1 million in 2017 (2016: € 0.4 million).

6. Additional information on operating expenses by nature

Employee benefit expenses and other social benefits are charged to the following lines of the income statement:

IN '000 €	2016	2017
Cost of sales	-39 174	-41 488
Marketing and selling expenses	-5 349	-6 468
Administrative expenses	-7 539	-8 600
TOTAL	-52 062	-56 556

Depreciation and amortization are charged to the following lines of the income statement:

IN '000 €	2016	2017
Cost of sales	-25 912	-28 588
Marketing and selling expenses	-1 024	-1 456
Administrative expenses	-685	-994
TOTAL	-27 621	-31 038

7. Finance income and expenses

FINANCE INCOME

IN '000 €	2016	2017
Interest income	59	7
Foreign exchange gains	106	247
Fair value of contingent considerations		642
Unwinding of non-current government grants receivable	622	543
Other	79	452
TOTAL	866	1 891

At 31 December 2017 there was a fair value change to the contingent consideration with regard to the acquisition of the Wolff Bioscopen group (€ 0.6 million) (see note 10).

FINANCE EXPENSES

IN '000 €	2016	2017
Interest expenses	-7 192	-7 771
Foreign exchange losses	-82	-157
Other	-1 211	-2 176
TOTAL	-8 485	-10 104

This rise in the interest expenses was mainly due to the lower activation of interest expenses linked to construction projects. Interest expenses of € 0.1 million were activated in 2017 (2016: € 0.6 million).

As the group applies a general financing policy a weighted average interest rate of 3.22% is used to activate the interest expenses of construction projects (2016: 3.16%).

The total costs with regard to the refinancing of the Group in 2012 were € 1.1 million. These are recognized in the income statement using the effective interest method at € 0.1 million in 2017 (2016: € 0.1 million) and are included in the interest expenses. The costs with regard to the refinancing of the Group in 2015 were € 1.6 million. These

are recognized in the income statement using the effective interest method at € 0.2 million in 2017 (2016: € 0.2 million) and are also included in the interest expenses. The refinancing costs of the Group in 2017 were € 0.5 million (see note 21). These are recognized in the income statement through the effective interest method and are included in the interest expenses.

The other finance expenses mainly include banking costs and the discounting related to the updated unfavourable lease contract of the cinema complex in Almere (NL). These also include commitment fees with regard to the credit agreement the Group refinanced in 2015 (see notes 21 and 25) at € 0.3 million (2016: € 0.3 million).

8. Income tax expenses

IN '000 €	2016	2017
Current tax expenses	-18 079	-19 264
Deferred tax expenses	1 457	3 629
TOTAL	-16 622	-15 635

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 European Commission's decision requires the Belgian government to assess back taxes from companies that received a tax ruling as if such a ruling did not exist. On 22

March 2016, the Belgian government appealed against the European Commission's decision before the European General Court. The appeal has no suspensive effect.

The Belgian tax authority has granted such a tax ruling to Kinopolis Group in 2012. As a result of the European

Commission's decision, Kinopolis has recorded a provision of € 9.4 million in 2015, in compliance with IAS 12, to cover the potential assessment of taxes on the excess profits that, following the ruling, were not taken into account in the taxable base. The amount 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, in January 2018 an assessment was established for € 3.0 million, which was already paid with the funds consigned in July 2017.

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. If the appeal of Kinopolis Group is successful, all paid amounts will be refunded to Kinopolis. The final judgment of the European Court of Justice is not expected for a few years.

Effective tax rate reconciliation

IN '000 €	2016	2017
Profit before tax	55 588	64 702
Belgian tax rate	33.99%	33.99%
Income tax using the Company's domestic tax rate	-18 894	-21 992
Effect of tax rates in foreign jurisdictions	585	571
Non-deductible expenses	-497	-540
Tax-exempt income	917	505
Use of unrecognized losses and tax losses for which no deferred tax asset was recognized	23	385
Under/(over) provided in prior periods	220	265
Change to law and tax rate in France	941	1 966
Change to law and tax rate in Belgium		3 078
Change to law and tax rate in Luxembourg		320
Other adjustments	83	-193
TOTAL INCOME TAX EXPENSE	-16 622	-15 635
Effective tax rate	29.90%	24.16%

The effective tax rate was 24.2% in 2017 (2016: 29.9%). The lower income tax was primarily due to the lowering of the tax rate, offset by a higher taxable profit and lower notional interest deduction.

'Other adjustments' concern among other things taxes relating to the Fairness Tax, contingent consideration for Wolff Bioscopen group and reversal of the deferred tax on tax losses carried forward of Brightfish.

The change in the law and the tax rate in France, Belgium and Luxembourg primarily concerns the future decrease in the corporate income tax rate (France from 28% to 25% (last year from 33.33% to 28%); Belgium from 33.99% to 25% and Luxembourg from 27.09% to 26.01%).

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 ticketing system.

The acquisitions in 2017 mainly concern the expenditures for the renewal of the front office software of the

Group for € 0.7 million. These comprise internal hours worked for € 0.2 million and purchases from third parties for € 0.5 million.

Acquisitions through business combinations are related to the acquisition of Landmark Cinemas. For more information, see note 10.

IN '000 €	PATENTS AND LICENSES	OTHER	INTERNALLY GENERATED INTANGIBLE ASSETS	TOTAL
Acquisition value	10 527	1 129	2 616	14 272
Depreciation and impairment losses	-6 581	-875	-1 705	-9 161
NET CARRYING AMOUNT AT 31/12/2015	3 946	254	911	5 111
Acquisitions	1 341	94	322	1 757
Sales and disposals	-5			-5
Transfer from / to other categories	168	-31		137
Amortization	-945	-17	-138	-1 100
Acquisition value	12 165	1 236	2 938	16 339
Amortization and impairment losses	-7 660	-936	-1 843	-10 439
NET CARRYING AMOUNT AT 31/12/2016	4 505	300	1 095	5 900
Acquisitions	1 234	375	302	1 911
Transfer from / to other categories	15			15
Amortization	-1 330	-49	-299	-1 678
Acquisitions through business combinations	175	2 720		2 895
Effect of exchange rate fluctuations		6		6
Acquisition value	13 571	4 329	3 240	21 140
Amortization and impairment losses	-8 972	-977	-2 142	-12 091
NET CARRYING AMOUNT AT 31/12/2017	4 599	3 352	1 098	9 049

10. Goodwill and business combinations

GOODWILL

IN '000 €	2016	2017
BALANCE AT END OF PREVIOUS PERIOD	53 256	53 255
Acquisitions through business combinations		33 071
Translation reserve		67
BALANCE AT END OF CURRENT PERIOD	53 255	86 393

The acquisitions through business combinations are discussed elsewhere in these notes (see Business combinations).

At the end of 2017, as every year in this period, a review was performed to identify any indications of 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 be performed for cash generating units to which goodwill is allocated, regardless of whether there are any indications of impairment. This test was not conducted for Canada at 31 December 2017 as the calculation of Landmark Cinemas was only finalized in 2018.

No impairments were recognized on the basis of the impairment tests performed.

Management monitors the impairments, as always, at country level. This is also the level at which goodwill is monitored for internal control purposes.

The cash flows of the Group are generated per country:

- Programming of films and negotiations with distributors occur at country level;
- A large percentage of tickets are sold through the websites, which are organized 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 organized at complex and at country level.

In the impairment tests the value in use was taken into consideration. For all cash generating units the value in use was defined by discounting the future cash flows calculated over the period 2019 to 2037, based on the budget for 2018. The future cash flows are calculated over a period of 20 years, since the Group owns nearly all of its property, which guarantees operation in the long run. For the period 2019 to 2037 the data of the 2018 budget for all cash flow generating units were extrapolated on the basis of the following assumptions:

- The visitor figures were determined based on historically low numbers;
- EBITDA grows by 1% annually, Presuming that the Group is able to take further measures to increase the margin;

- The maintenance capital expenditures are based on the historical run rate and increase by 1% every year as from 2019.

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 proposed weighted average cost of capital is 6.16% for Belgium, 6.26% for France, 7.00% for Spain, 6.08% for the Netherlands, 6.08% for Luxembourg, 5.58% for Switzerland and 8.71% for Poland (2016: 4.98% for Belgium, 4.85% for France, 6.71% for Spain, 4.71% for Netherlands, 4.43% for Luxembourg, 4.34% for Switzerland and 7.43% for Poland), determined on the basis of the following theoretical parameters:

	2016				2017			
	RISK-FREE INTEREST RATE	MARKET RISK PREMIUM	BETA	PROPOSED COST OF DEBT ⁽¹⁾	RISK-FREE INTEREST RATE	MARKET RISK PREMIUM	BETA	PROPOSED COST OF DEBT ⁽¹⁾
Belgium	0.67%	5.33%	0.90	3.20%	0.55%	6.70%	0.90	3.25%
France	0.50%	5.33%	0.90	3.20%	0.66%	6.70%	0.90	3.25%
Spain	1.25%	5.33%	1.16	3.20%	1.45%	6.70%	0.90	3.25%
Netherlands	0.31%	5.33%	0.90	3.20%	0.44%	6.70%	0.90	3.25%
Luxembourg	0%	5.33%	0.90	3.20%	0.44%	6.70%	0.90	3.25%
Switzerland	-0.17%	5.33%	0.90	3.20%	-0.15%	6.70%	0.90	3.25%
Poland	3.35%	5.33%	0.90	3.20%	3.32%	6.70%	0.90	3.25%

(1) Before tax

These percentages are tested annually against the weighted average cost of capital based on the parameters used by the analysts that monitor the share of the Group, taking into account the specific circumstances in each country. There was a significant margin each time. The weighted average cost of capital before tax is 6.26% for Belgium, 6.36% for France, 7.07% for Spain, 6.16% for the Netherlands, 6.16% for Luxembourg, 5.62% for Switzerland and 8.77% for Poland (2016: 5.14% for Belgium, 5.00% for France, 6.83% for Spain, 4.83% for the Netherlands, 4.57% for Luxembourg, 4.42% for Switzerland and 7.43% for Poland) These percentages before tax do not differ strongly 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. An example is given below.

A further possible increase from 3.25% to 6.00% in the cost of debt before tax results in a 0.17% increase in the weighted average cost of capital. This possible change would not lead to the need to recognize an impairment.

Goodwill per cash generating unit

IN '000 €	2016	2017
Belgium	6 586	6 586
France	11 804	11 804
Canada		33 138
Spain	2 858	2 858
Netherlands	19 661	19 661
Luxembourg	5 844	5 844
Poland	6 502	6 502
BALANCE AT END OF CURRENT PERIOD	53 255	86 393

BUSINESS COMBINATIONS

Acquisitions in 2018

Acquisition of NH Bioscopen

Just before Christmas 2017, Kinopolis Group reached agreement on the acquisition of the NH Bioscopen cinemas in Schagen and Hoofddorp (NL), with control transferred on 1 January 2018. For more information, see note 30.

Acquisitions in 2017

Acquisition of Landmark Cinemas

Kinopolis reached agreement with the shareholders of Landmark Cinemas on the acquisition of the Canadian movie theatre group in mid-September 2017. After approval by the Minister of Canadian Heritage, Kinopolis was able to complete the acquisition on 7 December 2017. Kinopolis Group nv announced the finalization of the acquisition of Landmark Cinemas on 8 December 2017.

Landmark Cinemas operates 44 movie theatres of various sizes, all located in Central and Western Canada. The 44 Landmark Cinemas movie theatres have a total of 55 000 seats and 303 screens. Landmark Cinemas is the second largest cinema group in Canada, with a market share of 10%. 33 of the 44 cinemas are leased, accounting for 95% of the visitors. The group operates two megaplexes (more than 16 screens), 17 multiplexes (more than 8 screens) and 25 smaller movie theatres, spread over six Canadian provinces.

The acquisition has an enterprise value of € 81.4 million (CAD 122.7 million at an exchange rate of 1.5072 on the acquisition date, which was 8 December 2017). The inclusion of Landmark Cinemas in the consolidation scope of the Group on 8 December 2017, the date on which effective control was acquired, resulted in goodwill of € 33.1 million. Taken into account that, under IAS 39, the fair value of the foreign exchange forward contracts connected to financial instruments entered purely to finance an acquisition in foreign currency (Landmark Cinemas) may be included in the calculation of goodwill (€ -2.8 million). The origin of this goodwill is the access to new overseas markets, the targeted visitor potential of the existing cinemas and their locations.

The transaction expenses linked to this acquisition were € 1.1 million and were recognized in profit and loss as part of the administrative expenses. Since the inclusion of Landmark Cinemas in the consolidation scope, it has contributed € 12.1 million to revenue and € 1.7 million to the result.

The acquisition fits in with the expansion strategy pursued by Kinopolis and enables the Group to enter a new market, characterized by healthy macroeconomic prospects, a growing population and a favorable business climate. Entering a new continent creates a better geographical spread of Kinopolis' business activities and new growth opportunities.

Net identifiable assets and liabilities

IN '000 €	2017
Intangible assets	2 895
Property, plant and equipment	67 824
Non-current other receivables	1 770
Inventories	793
Current trade and other receivables	9 103
Cash and cash equivalents	1 602
Assets classified as held for sale	2 664
Non-current loans and borrowings	-36 253
Deferred tax liabilities	-3 158
Provisions	-11 891
Current trade and other payables	-18 229
TOTAL	17 122

The intangible fixed assets relate to the trade name 'Landmark Cinemas' and amount to € 2.7 million. The trade name has an indefinite useful life. The trade name will be retained, as Landmark Cinemas 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 valuation was included on the basis of an actuarial report, based on the value differential method. Other intangible assets consist of licenses.

Property, plant and equipment totals € 67.8 million. Of this, € 3.1 million relate to land and buildings, € 21.7 million to equipment such as seats, screens, projectors and sound systems, € 39.6 million to building fixtures and the remaining € 3.4 million to assets under construction for the recliner conversion in various complexes.

Current trade and other receivables comprise trade receivables of € 7.3 million and other tax receivables of € 1.7 million. Upon acquisition and at the end of the year, no material impairments on receivables were established.

Two complexes were classified as assets held for sale: Fort McMurray (€ 2.3 million) and Weyburn (€ 0.4 million).

Goodwill calculation and reconciliation with the consolidated statement of cash flows

IN '000 €	2017
NET IDENTIFIABLE ASSETS AND LIABILITIES	17 122
Cash (1)	46 023
Outstanding debt based on the final settlement	1 354
REMUNERATION	47 377
Acquired cash and financial liabilities (2)	-34 648
Hedge accounting linked to the acquisition (3)	-2 835
ACQUISITION OF SUBSIDIARIES, NET OF ACQUIRED CASH, IN THE STATEMENT OF CASH FLOWS (1) - (2) - (3)	83 506
GOODWILL	33 071

The financial liabilities were immediately paid after the transaction and replaced by an internal loan. The provisions relate to a provision for onerous contracts and a provision for disputes. Trade payables were at € 13.7 million. Considerations, social security debts and other taxes combined were € 4.4 million.

Co-investment rights in Landmark Cinemas Holding Ltd

Two members of Landmark Cinemas management received co-investment rights in Landmark Cinemas Holding Ltd. The price at which the co-investment rights in Landmark Cinemas Holding Ltd may be exercised is determined on the basis of the final enterprise value, including adjustments, paid by Kinopolis Group nv. The shares that represent the co-investment have a total value of € 0.5 million.

Share Option Plan

In January 2018 Kinopolis Group nv granted 23,500 options in the 2016 Share Option Plan to members of Landmark Cinemas management.

Acquisitions in 2016

Taking over the operation of the cinema in Rouen Saint-Sever shopping centre

On 13 January 2016 Kinopolis Group took over the operation of the cinema located in the Saint-Sever shopping center in the heart of Rouen (Normandy, France). Previously run by UGC, the cinema has 14 screens and 2 500 seats, and welcomed more than 400 000 visitors in 2015.

The takeover of the Rouen Saint-Sever multiplex fits into Kinopolis' expansion strategy of Kinopolis. It is the first Kinopolis cinema in Normandy and the tenth in France following the takeover of a cinema near Lyon and the Utopolis cinema in Longwy in 2015.

The purchase price was € 0.4 million.

Property, plant and equipment primarily concern chairs, air conditioning and screens.

IN '000 €	ROUEN
Property, plant and equipment	440
TOTAL	440

IN '000 €	ROUEN
NET IDENTIFIABLE ASSETS AND LIABILITIES	440
Property, plant and equipment	440
REMUNERATION	440
GOODWILL	
Acquired cash	
ACQUISITION OF SUBSIDIARIES, NET OF ACQUIRED CASH, IN THE STATEMENT OF CASH FLOWS	440
TOTAL	440

Result from discontinued operations (sale of Belgian Utopolis cinemas)

Kinopolis Group nv completed the acquisition of Utopolis (Utopia sa), excluding the Belgian complexes, on 9 November 2015. The acquisition of the Belgian cinemas was subject to the approval of the Belgian Competition Authority (BCA).

On 25 March 2016 the BCA approved the acquisition of the Belgian Utopolis cinemas by Kinopolis Group, on the condition that the complexes in Mechelen and Aarschot were resold with a view to their further exploitation. Following this decision Kinopolis took over the Belgian Utopolis cinemas in Lommel, Turnhout, Mechelen and Aarschot on 14 April 2016 following the agreement signed on 9 November 2015 with the shareholders of Utopia sa, for € 24.5 million after deduction of cash acquired. Ahead of the sale of at least the complexes in Mechelen and Aarschot, exploitation at these cinemas continued under the conditions imposed by the BCA. The four Belgian cinemas were part of the legal entity Utopolis Belgium nv. Upon acquisition, this company was recognized as assets classified as held for sale.

On 30 September 2016 Kinopolis Group nv sold 100% of the shares of Utopolis Belgium nv, including the four Belgian Utopolis cinemas, to UGC.

Profit from discontinued operations is € 8.7 million.

IN '000 €	
Enterprise value	36 229
Equity value	33 000
Assets classified as held for sale after repayment of loan	26 362
Profit from the sale of Utopolis Belgium	6 638
Additional corrections (result April-July profit Utopolis, tax on statutory surplus value, repayment receivable Utopia)	2 042
Profit from discontinued operations	8 680

Basic and diluted earnings per share from discontinued operations is € 0.32.

Contingent considerations Wolff Bioscopen group

At 31 December 2017 the fair value of the contingent considerations with regard to the acquisition of the Wolff Bioscopen group was € 0.4 million (2016: € 1.1 million).

In 2017 no payment was made to the former shareholders of the Wolff Bioscopen group (2016: € 0.2 million). In 2017 there was a fair value change to the contingent considerations of € 0.6 million (2016: € 0.0 million).

The fair value of the contingent considerations was determined on the basis of the following assumption:

- The average number of visitors of the cinema in Utrecht (NL) three years after opening.

For more information about the fair value of the contingent considerations, see note 25.

11. Property, plant and equipment

IN '000 €	LAND AND BUILDINGS	PLANT, MACHINERY & EQUIPMENT	ASSETS UNDER CONSTRUCTION	TOTAL
Acquisition value	455 648	223 611	12 808	692 067
Depreciation and impairment losses	-219 413	-183 453		-402 866
NET CARRYING AMOUNT AT 31/12/2015	236 235	40 158	12 808	289 201
Acquisitions	36 053	21 046	1 043	58 142
Sales and disposals	-22	-284	-102	-408
Acquisitions through business combinations		440		440
Transfer from / to other categories	10 982	927	-12 046	-137
Depreciation	-13 716	-12 127		-25 843
Effect of exchange rate fluctuations	60	3	-1	62
Acquisition value	504 066	241 378	1 702	747 146
Depreciation and impairment losses	-234 474	-191 215		-425 689
NET CARRYING AMOUNT AT 31/12/2016	269 592	50 163	1 702	321 457
Acquisitions	7 532	17 171	5 743	30 446
Sales and disposals	-20	-101	-254	-375
Acquisitions through business combinations	42 726	21 729	3 368	67 823
Transfer from / to other categories	2 819	582	-3 416	-15
Depreciation	-15 092	-13 819		-28 911
Effect of exchange rate fluctuations	-452	27	-1	-426
Acquisition value	561 544	289 394	7 142	858 080
Depreciation and impairment losses	-254 439	-213 642		-468 081
NET CARRYING AMOUNT AT 31/12/2017	307 105	75 752	7 142	389 999

Acquisitions

In 2017 the purchases included the ongoing investments with regard to the building of new complexes in 's-Hertogenbosch and Utrecht (NL), the renovation of the complex in Almere (NL), projectors, ICT and recliner conversion in Canada.

Sales and disposals

The sales and disposals of plant, machinery and equipment mainly concern the disposal of old projectors and servers.

Leased buildings

The lease on the complex in Groningen (NL) was recognized as a financial lease. At 31 December 2017 the net carrying amount was € 7.7 million (2016: € 8.2 million).

Leased plant, machinery and equipment

In 2010 the Group's existing digital projectors were sold to a third party at net carrying amount and leased back for a period of six years. A number of new digital projectors were also leased.

In 2017 no new digital projectors were leased under this sale and lease-back agreement (2016: € 0.0 million). The carrying amount of these leased machines and equipment was € 0.8 million at 31 December 2017 (2016: € 2.3 million). During the term of the lease, the leased assets can be bought back at their present value under the contract, plus a fine. At the end of the contract the assets can be acquired at 1% of their original value under the contract.

The digital projectors of the acquired Wolff Bioscopen group were sold to a third party at acquisition price in 2011 and leased back for a period of up to ten years. The other party in this transaction acts as central management organization with regard to the various parties involved in the collective digitization of the Dutch film industry. The aim of these transactions was to use the structure of the buyer by which investments in digital equipment can be partly earned back with the cooperation of the film distributors. In exchange for Wolff Bioscopen declining the contribution of the industry for investing in digital equipment a lower rent is charged for the digital projectors.

The projectors will become the Group's property as soon as the investment has been earned back by the buyer. If the contract is prematurely ended by the Group, the leased asset must be repurchased as their carrying amount increased with the outstanding capital payment as well as a fine. At 31 December 2017 the net carrying amount of the projectors was € 0.1 million (2016: € 0.2 million).

In 2014 new digital projectors and servers were installed in the acquired complexes in Alicante and Madrid (ES). These projection systems were leased from a third party for a maximum period of 10 years at 20% of the total investment amount. In exchange for an 80% discount, the Group grants its virtual print fee revenue to recover its investment in these digital projection systems to the third party, who acts as integrator with regard to various involved parties in the digitization of the Spanish film industry. A variable consideration will also be charged if the agreed average projection ratio is not achieved.

At the end of the contract the Group will become the owner of the projection system without any further settlement. In the event of premature ending of the contract by the Group, the Group must pay the unrecovered investment costs. At 31 December 2017 the net carrying amount of these assets was € 0.2 million (2016: € 0.2 million).

For more information about the related finance lease liabilities, see note 21.

Acquisitions through business combinations

The acquisition in 2017 of Landmark Cinemas led to an increase in property, plant and equipment of € 67.8 million.

For more information about business combinations, see note 10.

12. Investment property

IN '000 €	LAND AND BUILDINGS	PLANT, MACHINERY & EQUIPMENT	TOTAL
Acquisition value	37 676	498	38 174
Depreciation and impairment losses	-5 762	-447	-6 209
NET CARRYING AMOUNT AT 31/12/2015	31 914	51	31 965
Acquisitions	67	1	68
Depreciation	-662	-15	-677
Effect of exchange rate fluctuations	-348	-1	-349
Acquisition value	37 199	481	37 680
Depreciation and impairment losses	-6 228	-445	-6 673
NET CARRYING AMOUNT AT 31/12/2016	30 971	36	31 007
Acquisitions	235	12	247
Sales and disposals	-13 602		-13 602
Depreciation	-435	-16	-451
Effect of exchange rate fluctuations	544	3	547
Acquisition value	23 682	523	24 205
Depreciation and impairment losses	-5 969	-488	-6 457
NET CARRYING AMOUNT AT 31/12/2017	17 713	35	17 748

Since 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 new bank guarantee on first demand for € 0.3 million from Cinema City.

The total carrying amount of the investment property in Poland is € 11.0 million (2016: € 10.5 million).

The plot of land in Valencia (ES) has been part of the investment property (€ 6.7 million) since 2015.

The Toison d'Or cinema building in Brussels (BE) was part of the investment property (€ 13.7 million) since 2014. In July 2017 this building was sold to UGC (see note 4).

Rental income from investment property was € 2.2 million (2016: € 2.1 million). The direct operating charges (including repairs and maintenance) ensuing from investment property were € 0.5 million (2016: € 0.6 million).

Fair value

The fair value of the investment property is measured annually by independent experts.

The external experts possess the requisite recognized professional qualifications and experience in appraising real estate at the locations and in the categories concerned.

The fair value of the investment property was € 27.4 million (2016: € 41.9 million). The change is due to the sale of the Toison d'Or cinema building in Brussels (BE).

The fair value of the investment property is recognized 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 with regard 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 decrease in the deferred tax liabilities primarily relates to a decrease in the deferred tax on the intangible assets and property, plant and equipment, partly offset by a rise in deferred tax liability as a result of the acquisition of Landmark Cinemas.

Temporary differences for which no deferred tax assets are recognized

No deferred tax asset is recognized in the statement of financial position in respect of tax losses carried forward and unused tax credits that would result in a deferred tax asset of € 8.8 million (2016: € 7.2 million), because it is improbable

that sufficient taxable profits will be available in the foreseeable future to be able to benefit from the tax gain. The tax losses carried forward can be carried forward to an unlimited degree for Belgium, France and Luxembourg.

Temporary differences for which deferred tax liabilities are recognized

In 2017 a deferred tax liability of € 0.5 million was recognized in connection with all distributable reserves in the subsidiaries of the Group (2016: € 1.9 million). This deferred tax liability was allocated to the investments in subsidiaries in the table below.

The deferred tax assets and liabilities recognized in the statement of financial position can be attributed as follows:

IN '000 €	2016			2017		
	ASSETS	LIABILITIES	DIFFERENCE	ASSETS	LIABILITIES	DIFFERENCE
Property, plant and equipment and other intangible assets	658	-22 019	-21 362	933	-27 027	-26 095
Receivable CNC government grants	735		735	519	-1	517
Inventories	3		3	4		4
Trade and other receivables	146	-265	-119	53	-688	-636
Provisions	1 038	-232	806	4 274	-132	4 142
Deferred CNC government grants	849	-462	387	829	-387	442
Provisions for employee benefits	184		184	145		145
Derivative financial instruments through equity	113		113	72		72
Tax losses carried forward and other deferred tax assets	3 659		3 659	4 577		4 577
Trade and other payables	153	-46	107	349	-16	333
Investments in subsidiaries		-1 935	-1 935		-479	-479
TOTAL	7 538	-24 960	-17 422	11 753	-28 730	-16 977
Tax offsetting	-6 636	6 636		-10 571	10 571	
NET DEFERRED TAX ASSETS AND LIABILITIES	902	-18 324	-17 422	1 182	-18 159	-16 977

Changes in deferred tax balances during the year

IN '000 €	2015	RECOGNIZED IN PROFIT AND LOSS	RECOGNIZED IN OTHER COMPREHENSIVE INCOME	2016	RECOGNIZED IN PROFIT AND LOSS	RECOGNIZED IN OTHER COMPREHENSIVE INCOME	ACQUISITIONS THROUGH BUSINESS COMBINATIONS	2017
Property, plant and equipment and other intangible assets	-23 213	1 851		-21 362	3 536		-8 270	-26 095
Receivable CNC government grants	1 082	-347		735	-218			517
Inventories	4	-1		3	1			4
Trade and other receivables	-130	11		-119	5		-522	-636
Provisions	967	-161		806	202		3 134	4 142
Deferred CNC government grants	285	102		387	55			442
Provisions for employee benefits			184	184	-53	14		145
Derivative financial instruments through equity	-22		135	113		-41		72
Tax losses carried forward and other deferred tax assets	3 617	42		3 659	-1 430		2 348	4 577
Trade and other payables	95	12		107	73		153	333
Investments in subsidiaries	-1 881	-54		-1 935	1 456			-479
TOTAL	-19 197	1 457	319	-17 422	3 629	-27	-3 157	-16 977

The movements on the deferred taxes as a consequence of the acquisition of Landmark Cinemas (€ -3.2 million) are primarily attributable to the following factors.

The deferred tax on property, plant and equipment and other intangible assets include a movement of € -8.3 million. The origin of this rise is the activation of the trade name and fair value adjustments together with a difference between the

Canadian tax depreciation rate and the Group tax depreciation rate. Additionally, there is a movement of € 3.1 million on the provisions. This concerns the tax effect on the provisions for onerous contracts that are disallowed for tax purposes. € 2.3 million is recognized as a consequence of tax losses carried forward, as the Group expects to recover these losses within five years.

14. Inventories

IN '000 €	2016	2017
3D glasses	632	485
Goods purchased for resale in the complexes	1 753	2 321
Components inventory technical department	2 822	1 775
Other	85	169
TOTAL	5 292	4 750

The cost of sales of inventories recognized in the income statement was € 19.4 million (2016: € 18.5 million).

15. Trade and other receivables

Non-current other receivables

IN '000 €	2016	2017
Cash guarantees	1 175	975
Other receivables	10 399	9 145
TOTAL	11 574	10 120

The non-current other receivables entirely relate to the sector-related government grants that can be obtained in

France from the CNC based on the number of visitors. For more information, see note 4.

Current trade and other receivables

IN '000 €	2016	2017
Trade receivables	23 387	33 695
Taxes receivable, other than income taxes	2 254	3 492
Deferred charges and accrued income	78	183
Tax shelter receivables	148	148
Tax shelter investments	313	304
Other receivables	3 190	2 956
TOTAL	29 370	40 778

The rise in trade receivables is primarily related to the acquisition of the trade receivables of Landmark Cinemas (Canada). This is also the main reason for the rise in the ageing analysis below.

The tax shelter receivables concern the loans made to third parties to finance and support the film production in Belgium.

The tax shelter investments concern the film rights the Group acquires as part of tax shelter transactions.

The other current receivables primarily consist of the current portion of the French sector-related government grants (CNC) for € 2.7 million (2016: € 2.7 million).

Ageing of the non-current and current trade and other receivables

IN '000 €	2016			2017		
	GROSS CARRYING AMOUNT	IMPAIRMENT	NET CARRYING AMOUNT	GROSS CARRYING AMOUNT	IMPAIRMENT	NET CARRYING AMOUNT
Not yet due on reporting date	36 007	-21	35 986	37 501	-2	37 499
Less than 30 days past due	4 100	-22	4 078	9 637	-129	9 508
Between 31 and 120 days past due	600	-8	592	3 025	-36	2 989
Between 120 days and 1 year past due	695	-574	121	885	-380	505
Over 1 year past due	1 196	-1 030	166	1 384	-987	397
TOTAL	42 598	-1 655	40 943	52 432	-1 534	50 898

Movement in the allowance for impairment of trade receivables

IN '000 €	2016	2017
BALANCE AT END OF PREVIOUS PERIOD	-1 502	-1 655
Recognized impairments	-580	-454
Utilized impairments	297	42
Reversed impairments	125	538
Effect of exchange rate fluctuations	5	-5
BALANCE AT END OF CURRENT PERIOD	-1 655	-1 534

The recognized, utilized and reversed impairments are part of the cost of sales for € 0.1 million (2016: € -0.2 million) and the marketing and selling expenses for € 0.0 million (2016: € 0.0 million).

No impairment allowance was recognized for past due amounts where collection continues to be deemed likely.

For the financial assets other than trade receivables there is no ageing problem.

16. Cash and cash equivalents

IN '000 €	2016	2017
Current investments (less than three months)		20 000
Cash at bank and in hand	44 244	137 398
TOTAL	44 244	157 398
Bank overdrafts considered as cash and cash equivalents in the statement of cash flows	-34	-33
CASH AND CASH EQUIVALENTS	44 210	157 365

17. Assets classified as held for sale

IN '000 €	2017
BALANCE AT END OF PREVIOUS PERIOD	
Acquisitions through business combinations	2 670
BALANCE AT END OF PREVIOUS PERIOD	2 670

At the time of the acquisition of Landmark Cinemas, two complexes were classified as assets held for sale: Fort McMurray (€ 2.3 million) and Weyburn (€ 0.4 million). For more information about business combinations, see note 10.

The Weyburn complex was closed before the end of 2017 for economic reasons and has already been put up

for sale on the market. The sale is expected in 2018.

For the complex in Fort McMurray, the Group is building a new, larger complex in the vicinity of the current complex. The new leased complex is scheduled to open in 2018. The current complex will be sold after opening.

18. Equity

The various components of equity as well as the changes between 31 December 2017 and 31 December 2016 are set out in the consolidated statement of changes in equity.

Share capital

The Company's share capital at 31 December 2017 was € 19.0 million (2016: € 19.0 million), represented by 27 365 197 ordinary shares without nominal value (2016: 27 365 197 shares). All shares are paid up in full. The share premium at 31 December 2017 was € 1.2 million (2016: € 1.2 million). The ordinary shares are entitled to dividend and the holders of these shares are entitled to cast one vote at the Company's shareholder meetings. The company is compliant with the regulations relating to the dematerialization of bearer shares. The statutory auditor confirmed compliance with article 11 of the Law of 14 December 2005.

Treasury shares reserve

On 19 October 2012 the Extraordinary General Meeting approved another authorization to buy back up to 1 171 301 shares for cancellation. Bearing in mind the split of each share into five new shares on 1 July 2014, up to 5 856 505 shares can be bought back under this authorization. This authorization is valid for a term of five years and can be renewed. No shares were bought back in 2017 (2016: 0 shares – € 0.0 million) and no treasury shares were sold pursuant to the exercise of options (2016: 111 875 – € 1.5 million). Otherwise, no shares were cancelled in 2017 (2016: 0 shares – € 0.0 million), but, as a consequence of an adjustment from the past, a transfer was made to retained earnings (€ 1.2 million).

The Extraordinary General Meeting of 11 May 2016 authorized 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. Block trades can be considered as well during open periods.

At 31 December 2017 the Group held 132 346 own shares (2016: 132 346). These shares will be used for the following share option plan. On Friday 16 March 2018, 167 407 shares were bought back under the ongoing program.

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.

Share-based payments reserve

At 31 December 2017 a total of 396 500 options were allocated (2016: 0 options). These shares entitle their holders to one share per option (see 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

On 27 February 2018 a dividend of € 24.5 million was proposed with respect to 2017 (2016: € 23.7 million). Based on the number of shares entitled to dividend at the date of publication of this annual report, this means a gross dividend per share of € 0.90 (2016: € 0.87). This dividend has not yet been approved by the Company's General Meeting of Shareholders and is therefore not yet recognized in the consolidated financial statements.

19. Earnings per share

BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit of € 49.1 million attributable to the ordinary shareholders (2016: € 47.6 million) and a weighted average number of ordinary shares outstanding during the year of 27 232 851 (2016: 27 214 153).

DILUTED EARNINGS PER SHARE

The calculation of the diluted basic earnings per share is based on the profit of € 49.1 million attributable to the ordinary shareholders (2016: € 47.6 million) and a weighted average number of diluted ordinary shares outstanding during the year of 27 268 051 (2016: 27 249 350).

IN '000 UNLESS STATED OTHERWISE	2016	2017
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	47 646	49 067
Weighted average number of ordinary shares	27 214	27 233
Effect of options	35	35
Weighted average number of diluted shares	27 249	27 268
BASIC EARNINGS PER SHARE (IN €)	1.75	1.80
DILUTED EARNINGS PER SHARE (IN €)	1.75	1.80

20. Share-based payments

SHARE OPTION PLAN

On 5 November 2007 the Board of Directors approved a Share Option Plan to encourage and reward selected Directors and executives who are able to contribute to the success and to the long-term growth of the Group. Under this Share Option Plan, 277 231 options – or 1 386 155 options after the share split in 2014 – could be granted.

At the Board meeting of 18 December 2007 it was decided to set the exercise price at the average stock market price of the 30 days preceding the offer. The options will expire 10 years after the date of the approval of the plan by the Board of Directors.

The Board of Directors of 25 March 2011 approved the extension of the 2007-2016 Share Option Plan by 34 654, or 173 270 shares after share split impact in 2014, to a total of 311 885 shares, or 1 559 425 shares after impact of the share split in 2014.

No options were exercised in 2017 (2016: 111 875). The weighted average share price at the time of exercise in 2016 was € 40.98.

The General Meeting approved a new share option plan on 11 May 2016. 543 304 options can be allocated under this new share option plan.

It was decided to set the exercise price at the average closing price of the Kinopolis share over the 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. 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.

In the past the fair value of these share-based payments was estimated when the options were allocated, using a Trinomial (American-type call option) valuation model. For the new share option plan of 2016 the fair value was determined using the Black-Scholes model.

The expected volatility is based on the historic volatility calculated on the basis of five years.

AMOUNTS IN € UNLESS STATED OTHERWISE	08/2009	08/2010	03/2011	10/2011	10/2014	12/2016 ⁽²⁾	12/2017
Fair value of allocated options ⁽¹⁾	1.73	2.50	2.54	2.67	4.25	7.30 / 9.71	12.91
Share price at grant date ⁽¹⁾	5.20	8.70	10.43	11.76	27.96	44.19 / 48.29	57.30
Exercise price ⁽¹⁾	3.58	7.28	9.44	11.04	25.19	41.55	48.25
Expected volatility	41%	39%	41%	29%	19%	23.43% / 23.53%	25.45%
Original expected term (in years)	6	5	4	5	3	8	7
Expected dividend growth	10%	10%	10%	10%	2.65%	7.86%	7.86%
Risk-free interest rate	3.30%	2.55%	3.16%	2.15%	0.72%	-0.14%	0.01%

(1) With due consideration for the consequences of the 2014 share split

(2) 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 can be exercised for the first time during the first exercise term, which falls in the fourth calendar year after the year in which the options were offered to the participants, with the exception of the options granted in 2014, which are exercisable in the first year of granting. The options only become unconditional once the other party has been employed for a certain period. The options granted in 2008 can be acquired in tranches of 12.5% per year on each anniversary of the grant date. The options granted in 2009 can be acquired in tranches of 16% per year during the first five years after allocation, the final tranche of 20% can be acquired in the sixth year after granting. The options granted in 2010 can be permanently acquired in tranches of 20% per year during the first five years after granting. The options granted in

March 2011 can be permanently acquired in tranches of 25% per year during the first four years after granting. The options granted in October 2011 are vested in tranches of 20% per year during the five years after their grant date. Of the options granted in 2014, 40% were permanently acquired in 2014 and 60% were permanently acquired in 2015. 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.

AMOUNTS IN € UNLESS STATED OTHERWISE	2016		2017	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
OUTSTANDING OPTIONS AT END OF PREVIOUS PERIOD	111 875	13.53		
Options allocated during the year			396 500	9.13
Options exercised during the year	-111 875	13.69		
Options forfeited during the year				
OUTSTANDING OPTIONS AT END OF CURRENT PERIOD			396 500	9.13

21. Loans and borrowings

This note provides information on the Group's loans and borrowings. For further information on these loans and

borrowings and the Group's exposure to interest and foreign currency risks, see note 25.

NON-CURRENT LOANS AND BORROWINGS

IN '000 €	2016	2017
Private placement of bonds	96 000	221 000
Public bond	75 000	75 000
Unguaranteed loans and borrowings with credit institutions	29 702	40 454
Leasing and similar liabilities	8 180	7 392
Transaction costs refinancing	-1 604	-1 739
TOTAL	207 278	342 106

CURRENT LOANS AND BORROWINGS

IN '000 €	2016	2017
Leasing and similar liabilities	1 047	774
Other loans and borrowings	5 949	39 099
TOTAL	6 996	39 873

In January 2015 the Group concluded a private placement of bonds with institutional investors for € 96 million: € 61.4 million was placed with a term of 7 years and € 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 million: € 60 million was placed with a term of 8 years and € 65 million with a term of 10 years, both at a fixed interest rate.

At 31 December 2017 € 50.6 million (2016: € 35.7 million) of the unguaranteed credit of a total original credit agreement of € 156.6 million had been taken up with € 140.6 million remaining at the end of 2017.

The transaction costs for the refinancing in 2012, 2015 and 2017 were € -3.2 million and are recognized in the income statement over the term of the unguaranteed credit agreement and the public bond. The amount not recognized in the income statement is charged to loans and borrowings.

At the end of 2017 the outstanding Commercial Paper debt was € 29.0 million (2016: € 0.0 million). This amount is part of other loans and borrowings.

Reconciliation between the movement of the financial liabilities and the consolidated statement of cash flow

IN '000 €	NOTE	LOANS AND BORROWINGS		EQUITY	TOTAL
		LOANS AND BORROWINGS	FINANCE LEASE LIABILITIES	RETAINED EARNINGS	
BALANCE AT 31/12/2016		205 047	9 227	134 628	348 902
Cash from financing activities					
New loans and borrowings		174 850			174 850
Repayment of loans and borrowings		-5 950	-1 061		-7 011
Payment of transaction costs with regard to refinancing obligations		-450			-450
Interest paid		-7 026	-301		-7 327
Interest received				7	7
Dividends paid	18			-23 691	-23 691
Net cash – used in / + from financing activities		161 424	-1 362	-23 684	136 378
Other adjustments					
Interest expenses	7	7 155	301		7 456
Refinancing cost	7	315			315
Capitalized interest costs	7	63			63
Accrued interest 2017		-191			-191
Total other adjustments		7 342	301		7 643
Total other equity adjustments				47 808	47 808
BALANCE AT 31/12/2017		373 813	8 166	158 752	492 923

Finance lease liabilities

The share of the digital projectors that were sold to a third party in 2010 and since then have been leased back in the non-current and current lease debt is € 0.0 million and € 0.3 million respectively. Since 2014 no new digital projectors were purchased and leased back.

The lease of the complex in Groningen (NL), which was acquired in 2014, was classified as a finance lease and

recognized in the current and non-current lease liabilities for € 0.5 million (2016: € 0.4 million) and € 7.2 million (2016: € 7.7 million) respectively.

The lease liabilities also include the lease of digital projectors from the acquired Wolff Bioscopen group for € 0.0 million (2016: € 0.1 million) non-current and € 0.1 million (2016: € 0.1 million) current.

In 2014 new digital projectors and servers were installed in the acquired complexes in Alicante and Madrid (ES). The related non-current finance lease liabilities were € 0.1 million (2016: € 0.1 million).

For more information about the Group's financial leases, see notes 11 and 25.

Future minimum lease payments

IN '000 €	2016			2017		
	PAYMENTS	INTEREST CHARGES	CAPITAL	PAYMENTS	INTEREST CHARGES	CAPITAL
Less than one year	1 348	-301	1 047	1 047	-273	774
Between one and five years	3 319	-975	2 344	3 012	-965	2 047
More than five years	6 859	-1 023	5 836	6 224	-879	5 345
TOTAL	11 526	-2 299	9 227	10 283	-2 117	8 166

22. Provisions

The provisions primarily concern unfavorable leases, the reinstatement of land, transformation expenses and a number of disputes.

Unfavorable leases

A provision was recognized with regard to the unfavorable lease on the Utopolis cinema complex in Almere (NL) when Utopolis was acquired. At 31 December 2017 the provision was € 4.6 million (2016: € 4.2 million). In view of the actual and at arm's length rent, the provision was revised at year-end, taking into account the remaining duration of the contract (12 years).

In 2017, at the time of the acquisition of Landmark Cinemas, a € 2.3 million provision was recognized with regard to the unfavorable lease contracts of the cinema complexes in Edmonton, Kingston, West Kelowna and Kitchener. Additionally, the leasehold inducements of € 9.3 million were recognized as a provision for unfavorable leases.

Site restoration

The Brussels cinema complex's lease (BE) 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 2017 the provision for the demolition of the building and the reinstatement of the land to its original state was € 1.2 million (2016: € 1.2 million).

Transformation

On 31 December 2017 the provisions for the transformation of the organization were € 0.4 million (2016: € 1.1 million). In 2017 new transformation provisions were set up for € 0.4 million (2016: € 0.8 million). The use of that was € 0.9 million (2016: € 0.3 million). € 0.2 million was reversed (2016: € 0.1 million).

Disputes

At 31 December 2017 the provision for disputes was € 1.8 million. When these provisions will be used or reversed depends on the outcome of the legal disputes concerned and is thus uncertain.

IN '000 €	2016	2017
BALANCE AT END OF PREVIOUS PERIOD	7 914	8 030
Additions of provisions	1 190	755
Discounting of provisions	38	935
Use of provisions	-944	-1 552
Reversal of provisions	-168	-338
Provisions from business combinations		11 734
Foreign currency effect		62
BALANCE AT END OF CURRENT PERIOD	8 030	19 627
Balance at end of current period (non-current)	6 664	17 118
Balance at end of current period (current)	1 366	2 509
TOTAL	8 030	19 627

23. Trade and other payables

NON-CURRENT OTHER PAYABLES

IN '000 €	2016	2017
Other payables	9 174	7 954
TOTAL	9 174	7 954

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, as well as the contingent considerations.

These government grants of € 6.7 million (2016: € 7.4 million) are recognized as other operating income in line with the depreciation of the assets for which these grants were obtained.

At the time of the acquisition of the Wolff Bioscopen group, a number of contingent considerations were stipulated in the contract. At 31 December 2017 the fair value hereof was € 0.4 million (2016: € 1.1 million in current other payables). For more information about this, see notes 10 and 25.

CURRENT TRADE AND OTHER PAYABLES

IN '000 €	2016	2017
Trade payables	68 384	82 918
Employee benefits liabilities	9 004	11 150
Accrued charges and deferred income	5 830	5 732
Taxes payable, other than income taxes	5 292	6 762
Other payables	2 143	1 736
TOTAL	90 653	108 298

Accrued charges and deferred income

At 31 December 2017 the accrued interest expenses with respect to the public and private bonds issued were

€ 5.3 million (2016: € 5.2 million). The deferred income was € 0.4 million (2016: € 0.6 million).

24. Current tax liabilities

IN '000 €	2016	2017
Belgian Excess Profit Ruling (EPR) tax	3 088	
Current tax liability	9 094	7 725
TOTAL	12 182	7 725

The current tax liabilities have fallen from € 12.2 million to € 7.7 million, primarily due to the payment of the remaining part of the EPR of € 3.1 million (see notes 8 and 28).

Furthermore, more outstanding balance with regard to the previous fiscal year was paid.

25. Risk management and financial instruments

RISK MANAGEMENT

Financial risk management

The Group's principal financial instruments are bank loans, private and public bonds, finance leases 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 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 maximize 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 summarized 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 for 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 enters into:

- Interest rate swaps and forward rate agreements in which the Group agrees to exchange, at specified intervals, the difference between 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 movements.

At the balance sheet date the Group had a few 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 determined as cash flow hedges in accordance

with the IAS 39 hedge accounting. Therefore the effective portion of the change in fair value of the interest rate swap, which can be considered to be an effective hedge, is recognized directly in equity. The total changes in fair value of the interest rate swaps before deferred tax recognized in equity resulted in an increase in equity of € 0.1 million at 31 December 2017 (2016: a decrease of € 0.3 million).

The Group pursues a conservative financial policy and since 2008 to hedge interest risk uses only derivative financial instruments of which movements in fair value are offset directly against equity and have no impact on the income statement (hedge accounting).

At 31 December 2017, after taking into account the effect of the interest rate swaps, 94.6% of the Group's borrowings were recognized at a fixed interest rate (2016: 100% at a fixed interest rate).

Interest rate risk sensitivity analysis

The interest-bearing loans at the balance sheet date were € 382.0 million (2016: € 214.3 million). € 50.5 million or 13.2% of the interest-bearing loans have a variable interest rate, without taking into account the effect of the interest rate swaps (2016: € 35.7 million or 16%).

Total interest charged to the income statement in 2017 was € 7.8 million (2016: € 7.2 million).

At the beginning of 2016 the loan of € 41.6 million with variable interest was fixed with an interest rate swap. At the end of 2017 the outstanding balance was € 29.7 million.

Foreign currency risk

The Group has a foreign currency risk on positions deriving from sales or purchases and from outstanding borrowings with Group companies in currencies other than the functional currency (Euro) (transaction risk).

Group policy is focused on minimizing the impact of exchange rate fluctuations on profit or loss.

Derivatives can be used at any time to hedge this risk.

Due to the moment of the acquisition of Landmark Cinemas in Canada, the Group's sales denominated in currencies other than the functional currency are limited. The purchases of the Group's subsidiaries primarily concern the purchase of materials by the Group in US Dollar and Canadian Dollar and to a lesser extent the guarantee obligations in US Dollar entered into by Kinopolis Film Distribution nv towards Dutch Filmworks bv. At 31

December 2017 the Group had no outstanding foreign exchange forward contracts (2016: \$ 0 million) for the purposes of hedging this risk.

Loans between Kinopolis Financial Services nv and other Group companies are expressed in the currency of the latter. Foreign exchange results regarding the non-current loans in Canadian Dollar, Swiss Franc and Polish Złoty of Kinopolis Financial Services nv to Kinopolis Canada Ltd, Kinopolis Schweiz AG and Kinopolis Poznań Sp.z o.o. are recognized in other comprehensive income, because these loans are considered to be part of the Group's net investment in these foreign entities.

Foreign currency risk sensitivity analysis

1 EURO CORRESPONDS TO:	CLOSING RATE 31/12/2017	AVERAGE RATE 2017	THEORETICAL VOLATILITY	POSSIBLE CLOSING RATE 31/12/2017	POSSIBLE AVERAGE RATE 2017
Polish Zloty	4.1709	4.2570	20%	3.34 - 5.01	3.41 - 5.11
Swiss Franc	1.1702	1.1117	20%	0.94 - 1.40	0.89 - 1.33
Canadian Dollar	1.5039	1.5119	20%	1.20 - 1.80	1.21 - 1.81

The above table states the possible changes in the exchange rate for the Canadian Dollar the Polish Zloty and the Swiss Franc against the Euro, estimated on the basis of the theoretical volatility.

If, at the balance sheet date, the Canadian Dollar, the Polish Złoty and the Swiss Franc had strengthened/weakened as indicated above, and all other variables being constant, the profit would have been € 0.9 million lower (2016: € 0.6 million lower) or € 0.6 million higher (2016: € 0.4 million higher) in 2017 and equity at the end of 2017 would have been € 17.2 million higher or € 11.5 million lower (2016: € 4.7 million higher or € 3.2 million lower).

Credit risk

The credit risk with respect to trade receivables is the risk of financial loss the Group is exposed to if a customer fails to meet its 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 judgment 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 within 12 months after the reporting date.

The following foreign exchange rate results were recognized directly in equity:

IN '000 €	2016	2017
Polish Zloty	-1 569	-1 115
Swiss Franc	1 581	642
Canadian Dollar		-57
TOTAL	12	-530

The Group also incurs a foreign currency risk from consolidating foreign companies not having the Euro as their functional currency (Canada, Switzerland and Poland). This translation risk is not hedged.

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.

Under the current standard, the Group accounts for impairment losses in the amount of the estimated losses in relation to trade receivables. This concerns partly specific and partly general loss provisions that are set up as soon as receivables are more than 60 days overdue, unless their collection is still deemed to be likely.

In order to assess the materiality of the provision for impairments losses, Kinopolis conducted an analysis over a five-year period (2013-2017).

On average, the Group recognized 0.02% of total revenue or 0.07% of total revenue excluding Box Office and In-theatre sales. Both percentages are considered to be immaterial.

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 not material.

With respect to the credit risk arising from the other financial assets of the Group, including cash and cash equivalents, available-for-sale financial assets and certain derivative 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.

The Group believes that all financial assets for which no impairment losses have been recognized can be collected in full, based on historical payment patterns and a thorough evaluation of the credit risk.

The extent of the Group's credit risk exposure is represented by the aggregate balance of the financial assets. The maximum nominal credit risk in the event that all parties were to fail to meet their obligations was € 204.3 million at 31 December 2017 (2016: € 82.6 million).

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, including bonds, credit lines, bank loans and financial leases, to guarantee the continuity and flexibility of the financing. The Group's liquidity is managed through the in-house bank, Kinapolis 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, on the one hand, the higher return that is potentially available with a higher level of borrowing, and, on the other hand, the benefits and security of a solid equity position. In seeking this balance, the Board of Directors' objective is to achieve the pre-defined level of the net financial debt to EBITDA and net financial debt to equity ratios.

Up to 2009 own shares were bought back by means of a share buyback program through a financial institution operating under a discretionary mandate. These 277 231 shares are held to cover the Group's current share option

plan, which runs until 2017 but for which all allocated options were taken up in 2016.

The Board of Directors takes decisions with regard to the buyback of treasury shares for each specific transaction.

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 of treasury shares to improve the ratios and thus create shareholder value. After approval by the Extraordinary General Meeting of 20 May 2011, the capital was reduced by € 30.0 million and 395 502 shares were bought back in 2011: 34 654 to cover new options and the remainder for cancellation. 349 423 shares were cancelled in 2011. In accordance with the authorization of the Board of Directors by the Extraordinary General Meeting of 20 May 2011, an additional 713 422 shares were bought back and 724 847 shares were cancelled in 2012.

On 19 October 2012 the Extraordinary General Shareholder's Meeting approved another authorization to buy back up to 1 171 301 own shares for cancellation, subject to certain circumstances. This authorization is valid for a term of five years and can be renewed. Under the new authorization, a new share buyback program was launched in 2013 to buy back 300 000 shares. 276 492 shares were bought back in 2013.

On 18 December 2013 the Board of Directors decided to cancel 273 854 shares.

On 16 May 2014 the Extraordinary General Meeting decided to split the Group's 5 582 654 shares into five on 1 July 2014. Taking into account the share split, 604 710 shares were bought back in 2014.

On 18 December 2014 the Board of Directors decided to cancel 548 073 shares. Therefore, the Group's share capital at 31 December 2014 was represented by 27 365 197 ordinary shares without nominal value. The number of regular shares remained unchanged in 2015.

At the end of 2015 the Group held 244 221 treasury shares: 29 339 shares were bought back in 2015 and 1 314 370 treasury shares were used to exercise options.

At the end of 2016 the Group held 132 346 treasury shares. No shares were bought back in 2016. 111 875 treasury shares were used to exercise options. The other treasury shares will be used for the following option plan.

At the end of 2017 the Group held 132 346 treasury shares. No shares were bought back in 2017.

FINANCIAL INSTRUMENTS

Debt portfolio

In January 2015 the Group concluded a private placement of bonds with institutional investors for € 96.0 million: € 61.4 million was placed with a term of 7 years and € 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 the expansion, by increasing the diversification of the sources of financing and by refinancing the existing credits.

The Group also issued a non-subordinated bond for € 75.0 million in Belgium on 6 March 2012. 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 of 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, 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 for a total value of € 15.9 million were exchanged.

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. This credit facility was revised in December 2015 in response to the Utopolis acquisition and expanded with a fixed-term loan of 7 years with annual repayments. At 31 December 2017 € 50.6 million had been taken up (2016: € 35.7 million). In May 2016 the term of the existing credit agreement for € 90.0 million was extended by one year to June 2021.

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. 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.

No securities were provided. Only a number of conditions apply with regard to the sale or provision as security of certain of the Group's assets to a third party. This agreement contains certain financial covenants, including a

maximum leverage ratio of 3.5, a minimum interest coverage of 4.5 and a minimum solvency ratio of 20%, as well as a number of potentially restrictive undertakings limiting or preventing specific business transactions. All these covenants were met in 2017, as they were in 2016.

The application of IFRS 16 will have no impact on the financial covenants. A required change of accounting standards can't have an impact on the financial covenants (frozen gaap principle included in contracts).

The interest payable on the credit agreement is calculated on the basis of the EURIBOR applicable to the selected borrowing period plus the negotiated margin.

In late 2010 a sale and leaseback agreement was concluded for an amount up to € 17.5 million. Under this agreement Kinopolis sells tangible fixed assets and leases them back for a term of six years. This facility provides an additional alternative to long-term bank financing. At 31 December 2017 € 0.3 million was outstanding (2016: € 0.9 million). These lease liabilities are guaranteed by the leased assets. The payable interest was calculated on the basis of a fixed interest rate determined as a weighted average of the Belgian Prime Rate over 1 up to 6 years, increased by the negotiated margin.

Within the framework 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 classified as a finance lease (see note 11)

The lease debt at the commencement 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. At 31 December 2017 this debt was € 7.7 million (2016: € 8.2 million).

The projectors of the Wolff Bioscopen group acquired in 2014 were sold to a third party in 2011 and leased back for a period of up to 10 years. The carrying amount of this lease debt was € 0.1 million at 31 December 2017 (2016: € 0.1 million).

In 2014 new projectors were leased in the acquired Spanish complexes from a third party for a period of up to 10 years. The lease debt in question was € 0.1 million at 31 December 2017 (2016: € 0.1 million).

For more information about the three aforementioned leases, see notes 11 and 21.

Financial liabilities – contractual cash flows

The following table gives an overview of the contractual

maturities for the financial liabilities at 31 December 2017, including the estimated interest payments:

IN '000 €	2017			
	<1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL
Private placement of bonds	6 069	85 674	176 602	268 345
Bond	3 443	64 471	16 513	84 427
Trade payables	82 918			82 918
Loans and borrowings with credit institutions	10 725	41 706		52 431
Lease liabilities	1 047	3 012	6 224	10 283
Commercial Paper	29 000			29 000
Contingent considerations		428		428
Third party current account payables	43			43
Bank overdrafts	33			33
Non-derivative financial liabilities	133 278	195 291	199 339	527 908
Interest rate swaps	214			214
Subtotal derivative financial instruments	214			214
TOTAL	133 492	195 291	199 339	528 122

IN '000 €	2016			
	<1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL
Private placement of bonds	2 743	10 974	102 001	115 718
Bond	3 443	67 279	17 148	87 871
Trade payables	68 384			68 384
Loans and borrowings with credit institutions	6 462	24 992	5 992	37 446
Lease liabilities	1 353	3 320	6 861	11 533
Contingent considerations		1 070		1 070
Third party current account payables	43			43
Bank overdrafts	34			34
Non-derivative financial liabilities	82 462	107 635	132 002	322 099
Interest rate swaps	333			333
Subtotal derivative financial instruments	333			333
TOTAL	82 795	107 635	132 002	322 432

In respect of interest-bearing loans and borrowings with a variable interest rate, the following table shows the periods in which they reprice.

IN '000 €	2016		2017	
	TOTAL	<1 YEAR	TOTAL	<1 YEAR
Loans and borrowings with credit institutions	35 651	5 949	50 552	10 098
Bank overdrafts	34	34	33	33
TOTAL	35 685	5 983	50 585	10 131

Hedging activities

The Group uses derivative financial instruments to hedge the interest rate risk. All derivative financial instruments are measured at fair value. The following table gives the

remaining term of the outstanding derivative financial instruments at closing date. The amounts given in this table are the notional amounts.

IN '000 €	2017			
	<1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL
Interest rate swaps	5 949	23 754		29 702
TOTAL	5 949	23 754		29 702

IN '000 €	2016			
	<1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL
Interest rate swaps	5 949	23 796	5 906	35 651
TOTAL	5 949	23 796	5 906	35 651

Fair value

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 clean fair value and the carrying amount of the main interest-bearing financial loans and borrowings (measured at amortized cost).

IN '000 €	2016		2017	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Private placement of bonds – fixed interest rate	96 000	105 113	221 000	224 425
Public bond – fixed interest rate	75 000	82 340	75 000	80 826
Interest-bearing loans – variable interest rate	35 651	35 651	50 552	50 552
Interest-bearing loans – fixed interest rate			29 000	28 984
Lease liabilities – fixed interest rate	9 228	11 570	8 167	8 452
Bank overdrafts	34	34	33	33
Transaction costs refinancing	-1 605	-1 605	-1 739	-1 739
TOTAL	214 308	233 103	382 013	391 549

The fair value of the public bond with fixed interest rate (Level 2) was measured by discounting the future cash flows based on an interest rate of 0.98% (2016: 1.43%) for the part of the bond with a maturity date in 2019 and 2.37% for the part of the bond with a maturity date in 2023 (2016: 2.40%).

The fair value of the private bond with fixed interest rate (Level 2) was measured by discounting the future cash flows based on an interest rate of 1.36% (2016: 1.73%) for the bond with a term of 7 years and 2.82% (2016: 1.19%) for the part of the bond with a term of 10 years.

The fair value of the new private bond with fixed interest rate (Level 2) was measured by discounting the future cash flows based on an interest rate of 2.50% for the bond with a term of 8 years and 3.06% for the part of the bond with a term of 10 years.

An interest rate of 1.31% for the leased projectors and 2.89% for the leased complex in Groningen (NL) was used to measure the fair value of the lease liabilities (Level 2) by discounting the future cash flows (2016: 1.86% for the leased projectors; 3.25% for the leased complex).

The fair value of the other non-derivative financial assets (loans and receivables) and liabilities (measured at amortized cost) is equal to the carrying amount.

The following table gives the nominal or contractual amounts and the clean 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 €	2016		2017	
	NOMINAL VALUE	FAIR VALUE	NOMINAL VALUE	FAIR VALUE
Interest rate swap	35 651	-333	29 702	-214
TOTAL	35 651	-333	29 702	-214

The fair value of financial instruments related to the interest rate is determined by discounting the expected future cash flows based on current market interest rates and the interest rate curve for the remaining life of the investment. At 31 December 2017 there were no outstanding foreign exchange forward contracts. The fair value of foreign

exchange forward contracts is calculated as the discounted value of the difference between the value of these contracts based on the exchange rate at the balance sheet date and the contract value based on the forward exchange rates at the same time.

The fair value of the derivative financial instruments is included in the Group's statement of financial position as follows:

IN '000 €	2016			2017		
	ASSETS	LIABILITIES	NET VALUE	ASSETS	LIABILITIES	NET VALUE
Non-current		333	333		214	-214
TOTAL		333	333		214	-214

At 31 December 2017 the fair value of the contingent considerations was € 0.4 million (2016: € 1.1 million). This amount was determined on the basis of the following assumptions:

- The number of visitors of the new future complex in Utrecht (NL) in the third year after opening.

The non-observable significant input is the number of visitors to the Group's future new-build project in Utrecht (NL). The estimated fair value will increase or decrease depending on whether the number of visitors to the new complex in Utrecht is higher or lower.

Fair value hierarchy

The table below provides an overview of the financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable input).

IN '000 €	2015			2016			2017		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Cash flow hedging – Currency									
Foreign exchange forward contracts		64							
Interest rate swaps					-333			-214	
Finance liabilities measured at fair value									
Contingent considerations			1 289			1 070			428
TOTAL		64	1 289		-333	1 070		-214	428

Level 3 fair value

The following table shows the reconciliation between the opening and closing balance for the level 3 fair value:

IN '000 €	CONTINGENT CONSIDERATIONS
BALANCE AT END OF PREVIOUS PERIOD	1 070
Change in fair value (not realized) part of the finance income (see note 7)	-642
BALANCE AT END OF CURRENT PERIOD	428

At 31 December 2017 the fair value of the contingent considerations was € 0.4 million. The projected average number of visitors for the cinema in Utrecht three years after opening will probably not be achieved. The contingent consideration will be adjusted.

Level 3 fair value sensitivity analysis

The possible change in the significant non-observable output stated below could reasonably have the following impact on the fair value of the contingent considerations at balance sheet date:

IN '000 €	2016	2017
10% increase in the projected number of visitors of the future cinema in Utrecht (NL)	535	214
10% decrease in the projected number of visitors of the future cinema in Utrecht (NL)	-535	-214

26. Operating leases

Leases as Lessee

Non-cancellable operating lease rentals are payable as follows:

IN '000 €	2016	2017
Less than one year	8 655	25 815
Between one and five years	25 764	79 217
More than five years	26 447	109 001
TOTAL	60 866	214 034
Minimum lease payments in the income statement with regard to operating leases	8 414	10 187
Contingent lease payments in the income statement with regard to operating leases	362	515

The complex in Valencia (ES) is leased for a period of 40 years since May 2001. There is an option to terminate the contract after 20 years. The contract does not provide for a purchase option.

The Group also leases the complex in the centre of Nîmes (FR) and a complex in the centre of Liège (BE). The term of these leases is nine years (renewable). A fixed rent is always charged.

The Group also leases the land on which a number of complexes have been built and the adjacent car park for a remaining period of 13 years in Belgium, 20 years in Luxembourg, and 33 and 46 years in France (long lease construction). The paid rent is partly fixed and partly variable, based on the number of tickets sold. This variable rent was € 0.2 million in 2017 (2016: € 0.2 million).

A number of car parks are also leased in Belgium for a term of 3 to 28 years (renewable). A fixed rent is always charged.

The Group also leases office space in Belgium for a remaining period of two years (renewable). The rent is always fixed.

All buildings housing Dutch entities of the Group, which were acquired in 2014, except for the building in Enschede (NL), are leased. Except for the rent on the building in Groningen (NL) these are all operating leases. The contracts have a term of 1 to 10 years (renewable). The rent is always fixed.

The complexes in Spain (Alicante and Madrid) acquired in 2014 are leased for a period of 10 years (renewable for two periods of 5 years; can be cancelled by the tenant if the number of visitors falls below a given threshold) and 20 years (not renewable; can be cancelled by the tenant after 10 and 15 years) respectively. The paid rent is partly fixed and partly variable, based on the number of paying visitors. This variable rent was € 0.2 million in 2017 (2016: € 0.1 million).

Part of the complexes acquired in the Netherlands in 2015 (Oss, Zoetermeer and Emmen) are owned by the Group. The cinema complexes in Almere and Den Helder are leased for a remaining term of 12 and 4 years respectively. The rent is always fixed. The acquired cinema complexes in Luxembourg, with the exception of the complex in Kirchberg, are leased with a remaining term of 3 and 8 years. The rent is always fixed.

The cinema in Rouen (FR) acquired in 2016 is leased for a term of 10 years (renewable). The rent is partly fixed and partly variable, based on the number of tickets sold. The newly opened cinema complex in the Nevada shopping center in Granada (ES) is leased for a term of 20 years (renewable for a term of five years). The rent is partly fixed and partly variable, based on the number of visitors. The cinema acquired in Fenouillet (FR) is leased for a term of 36 years. The rent is partly fixed and partly variable, based on the number of tickets sold.

Some of the complexes acquired in Canada in 2017 are owned by the Group. Thirty-two cinemas and two offices are also leased in Canada for a remaining period of 1 to 28 years. The future rent changes depending on the term.

Lastly, the Group leases cars for some of its employees. These contracts have a term of 3 to 5 years (sometimes renewable). All lease sums are fixed.

Leases as lessor

The Group has leased out parts of its property under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

IN '000 €	2016	2017
Less than one year	7 802	7 986
Between one and five years	14 997	13 456
More than five years	8 133	6 306
TOTAL	30 932	27 749
Minimum lease payments in the income statement with regard to operating leases	8 031	9 181
Contingent lease payments in the income statement with regard to operating leases	973	1 052

The leases as lessor primarily concern the multiplex in Poznań (PL) leased to Cinema City since January 2007 for a term of 10 years, renewed 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 € 0.4 million in 2017 (2016: € 0.3 million).

The Group also leases part of its complexes to third parties for the exploitation of shops or cafes. 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 sold parking tickets, adjusted for management expenses.

27. Capital commitments

At the end of 2017 the Group had material capital commitments for € 12.6 million (2016: € 6.2 million). This concerns mainly commitments with regard to the construction of new

cinemas in 's Hertogenbosch (NL), Brétigny (FR) and St. Albert (CA), the remodeling of the Palace cinema in Metz (FR) and the recliner seats in Canada.

28. Contingencies

KFD

At the end of 2017 the Group had contingencies for € 2.2 million (2016: € 2.5 million). These are primarily minimum guarantee commitments of Kinopolis Film Distribution nv toward Dutch Filmworks bv for films that were not yet released, but for which contractual obligations already exist.

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. 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. If the appeal of Kinopolis Group is successful, all paid amounts will be refunded to Kinopolis. The final judgment of the European Court of Justice is not expected for a few years.

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 €	2016	2017
Directors		
Remuneration	387	412
Executive officers (CEOs)		
Short-term employee benefits	1 633	1 470
Share-based payments		
Group insurance	10	10
TOTAL	2 030	1 892

The CEOs of the Group and the Chairman of the Board of Directors took part in the 2016 Group share option plan (Incentive Plan) (see Note 20) (180 000 options). For more information, see the remuneration report in the Corporate Governance Statement.

to the Group, charging a market rate of € 0.3 million in 2017 (2016: € 0.4 million).

Transactions with other related parties

Kinohold BIS sa provides certain administrative services

Pentascop nv provides a number of maintenance and transport services to the Group, for which it charged € 0.2 million in 2017 (2016: € 0.2 million). € 0.1 million had not yet been paid at the end of the year (2016: € 0.1 million).

30. Subsequent events

Belgian Competition Authority partially withdraws 20 year old behavioral measures

In response to the request of Kinopolis Group nv for cancellation of the behavioral measures which were imposed on it in 1997 by the Belgian Competition Council, on 31 May 2017 the Belgian Competition Authority decided 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 behavioral 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 31 May 2017 of the Belgian Competition Authority.

On 28 February 2018, the Court of Appeal issued its judgment, stating that the reasoning of the Belgian Competition Authority was insufficiently motivated to partially cancel the behavioral measures imposed on Kinepolis. The Belgian Competition Authority will now have to take a new decision.

Acquisition of NH Bioscopen cinemas in Hoofddorp and Schagen (NL)

Just before Christmas 2017, Kinepolis Group reached 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 and the Haarlem new-build project were owned by Mr. and Mrs. Frits and Irma Nieuwenhuizen, who also run the cinemas in Schagen and Hoofddorp. The NH Bioscopen cinema on Texel is not covered 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 new-build cinema in Schalkwijk, Haarlem, will have six screens and around 850 seats. Construction is scheduled to begin in 2018, once the required permits have been issued.

The fair value of the acquired assets and liabilities was provisionally determined on 21 March 2018 to calculate the goodwill ensuing from this acquisition. The definitive value of the acquired assets and liabilities will be determined within 12 months of the date of acquisition and, if required, any appropriate additional adjustments will be made to the fair value.

The transaction has an enterprise value of € 27.5 million (cash and debt free), including the acquisition of the debts. Of the total enterprise value of € 27.5 million € 1.7 million is conditional.

Net identifiable assets and liabilities

IN '000 €	2017
NET IDENTIFIABLE ASSETS AND LIABILITIES	7 177
Cash (1)	18 616
Contingent considerations	1 700
REMUNERATION	20 316
GOODWILL	13 140
Acquired cash (2)	418
ACQUISITION OF SUBSIDIARIES, NET OF ACQUIRED CASH, IN THE STATEMENT OF CASH FLOWS (1) - (2)	18 198

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 € 13.1 million. The origin of this goodwill is the strengthening of Kinepolis' position on the Dutch market and the offer of the Kinepolis film experience to even more visitors. However, this is still a provisional calculation.

In 2017 NH Bioscopen welcomed 600 000 visitors, who generated € 7.5 million in revenue and € 3.5 million in EBITDA. The transaction expenses linked to this acquisition were € 0.1 million at 31 December 2017 and were recognized in profit and loss as part of the administrative expenses.

Net identifiable assets and liabilities

IN '000 €	2017
Property, plant and equipment	16 039
Inventories	140
Current trade and other receivables	135
Cash and cash equivalents	418
Non-current loans and borrowings	-6 442
Deferred tax liabilities	-1 046
Current loans and borrowings	-648
Current trade and other payables	-1 419
TOTAL	7 177

Property, plant and equipment of NH Bioscopen totals € 16.0 million. Of this, € 15.5 million is related to the cinema complexes in Schagen and Hoofddorp (NL). The remaining € 0.5 million is allocated to seats, screens, projectors and sound systems. The financial liabilities were immediately paid after the transaction and replaced by an internal loan. Current trade and other payables were intercompany payables that were paid immediately after the transaction and replaced by internal financing (€ 0.9 million).

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. It will have 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 – which will not carry the Kinopolis name – is set to reopen in June 2018.

Further expansion of Canadian activities with new Landmark Cinemas theatres in Saskatoon and Calgary

Landmark Cinemas Canada, acquired by Kinopolis Group in December 2017, reached agreement at the end of January 2018 on the acquisition of the Brighton Marketplace cinema of 'Magic Lantern Theatres' in Saskatoon (Saskatchewan). The cinema in Brighton Marketplace, the first shopping mall in Saskatoon developed by Dream Unlimited Corp, is currently under construction and will be finished by Landmark. The cinema is scheduled to open in June 2018. It will have seven screens and 780 premium recliner seats.

Landmark Cinemas also announced a partnership with Cadillac Fairview and Ivanhoé Cambridge, two Canadian real estate companies, to open a new premium cinema in the CF Market Mall in Calgary (Alberta).

The cinema in the CF Market Mall in Calgary is scheduled to open in spring 2019. It will have five screens and 619 luxurious recliner seats, guaranteeing the residents of Calgary a premium movie-going experience.

Opening of new complex in St. Albert

On 15 February 2018 Landmark Cinemas, in the presence of Eddy Duquenne (CEO Kinopolis Group), opened a new cinema in the Jensen Lakes Crossing area of St. Albert (Canada). The cinema has eight screens, fully equipped with Landmark's new luxurious motorized recliner seats. Jensen Lakes Crossing is a neighbourhood shopping centre where the local community will be able to enjoy an extensive range of restaurants, wide paths and squares, and entertainment.

31. Mandates and remuneration of the Statutory Auditor

The Statutory Auditor for the Company is KPMG Bedrijfsrevisoren, represented by Mr. S. Cosijns.

For the entire Group, the mandates and remuneration can be summarized as follows:

IN '000 €	2016	2017
Remuneration of the statutory auditor	287	292
Other audit-related services	49	106
Tax services		
Other	13	12
Remuneration for other services or assignments performed within the Company and its subsidiaries by the statutory auditor	62	118
Remuneration for persons associated to the statutory auditor for the performance of a mandate as statutory auditor	304	346
Other audit-related services		
Tax services	60	15
Other	76	
Remuneration for other services or assignments performed within the Company and its subsidiaries by persons associated to the statutory auditor	109	15
TOTAL	761	771

32. Group entities

List of fully consolidated companies

COUNTRY	NAME	MUNICIPALITY	VAT OR ENTERPRISE NUMBER	% 2016	% 2017
Belgium	Brightfish nv	Brussels	BE 0450 523 725	100	100
	Kinapolis Braine sa	Braine-Lalleud	BE 0462 688 911	100	100
	Kinapolis Film Distribution (KFD) nv	Brussels	BE 0445 372 530	100	100
	Kinapolis Financial Services nv	Brussels	BE 0886 547 831	100	100
	Kinapolis Group nv	Brussels	BE 0415 928 179	100	100
	Kinapolis Immo Hasselt nv	Hasselt	BE 0455 729 358	100	100
	Kinapolis Immo Multi nv	Brussels	BE 0877 736 370	100	100
	Kinapolis Liège nv	Hasselt	BE 0459 469 796	100	100
	Kinapolis Mega nv	Brussels	BE 0430 277 746	100	100
	Kinapolis Multi nv	Kortrijk	BE 0434 861 589	100	100
	KP Immo Brussel nv	Brussels	BE 0816 884 015	100	100
	Utopia Belgium nv	Brussels	BE 0466 339 772	100	100
Canada	Kinapolis Canada Ltd	Calgary	CA 2020 757 353	-	100
	Landmark Cinemas Holding Ltd	Calgary	CA 2020 757 536	-	100
	Landmark Cinemas Canada lp	Calgary	CA 2017 564 317	-	100
	Landmark Cinemas Canada gp	Calgary	CA 2017 564 317	-	100
France	Eden Panorama sa	Lomme	FR 02340483221	100	100
	Forum Kinapolis sa	Nîmes	FR 86421038548	100	100
	Kinapolis Bourgoin sa	Bourgoin-Jallieu	FR 65779487297	100	100
	Kinapolis France sa	Lomme	FR 20399716083	100	100
	Kinapolis Film Distribution France sas	Lomme	FR 43789848280	100	100
	Kinapolis Immo St.Julien-lès-Metz sas	Metz	FR 51398364463	100	100
	Kinapolis Immo Thionville sa	Thionville	FR 10419162672	100	100
	Kinapolis Le Château du Cinéma sas	Lomme	FR 60387674484	100	100
	Kinapolis Mulhouse sa	Mulhouse	FR 18404141384	100	100
	Kinapolis Nancy sas	Nancy	FR 00428192819	100	100
	Kinapolis Prospection sas	Lomme	FR 45428192058	100	100
	Kinapolis St. St. Julien-lès-Metz sa	Metz	FR 43398364331	100	100
	Kinapolis Thionville sa	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
Netherlands	Kinapolis Immo bv	Utrecht	NL 003182794B01	100	100
	Kinapolis Rotterdam bv	Utrecht	NL 808810261B01	100	100
	Kinapolis Bioscopen Holding bv	Utrecht	NL 822624382B01	100	100
	Kinapolis Enschede bv	Utrecht	NL 808883574B01	100	100
	Kinapolis Groningen bv	Utrecht	NL 816165774B01	100	100
	Kinapolis Huizen bv	Utrecht	NL 820697230B01	100	100
	Kinapolis Exploitatie bv	Utrecht	NL 819683036B01	100	100
	Kinapolis UBOS bv	Utrecht	NL 856681866B01	100	100
	Utopia Nederland Vastgoed bv	Almere	NL 804687237B05	100	-
	Utopia Nederland bv	Almere	NL 804687237B03	100	100
	Utrechtse Film Onderneming 'Ufio' bv	Utrecht	NL 003182812B01	100	100

COUNTRY	NAME	MUNICIPALITY	VAT OR ENTERPRISE NUMBER	% 2016	% 2017
Poland	Kinepolis Poznan S.p.z. o.o.	Poznan	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
Switzerland	Kinepolis Schweiz ag	Schaffhausen	CH 2903013216-5	100	100

CHANGES IN THE CONSOLIDATION SCOPE

New participating interests in subsidiaries

Kinepolis Group nv acquired Landmark Cinemas on 8 December 2017. In connection with the acquisition, Kinepolis Canada Ltd was formed and the companies Landmark Cinemas Holding Ltd, Landmark Cinemas Canada Ip and Landmark Cinemas Canada gp were acquired.

Mergers

On 30 June 2017 the company Utopia Nederland Vastgoed bv was merged with Kinepolis Immo bv.

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 2017

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 audit of the consolidated financial statements for the year ended 31 December 2017, as well as our report on other legal, regulatory and professional requirements. These reports are one and indivisible.

We were appointed as statutory auditor by the general meeting of 11 May 2016, 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 2018. We have performed the statutory audit of the consolidated financial statements of Kinopolis Group nv for 20 consecutive financial years.

REPORT ON THE AUDIT OF 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 2017, 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 2017 and the consolidated income statement, consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flow and consolidated statement of 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 720 955 (000) and the consolidated income statement shows a profit for the year of EUR 49 067 (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 2017 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"). 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.

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.

Acquisition Landmark 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 Landmark Cinemas on December 7, 2017 for a consideration of CAD 122.7 million or EUR 81.4 million. 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, IFRS 5 Non-current Assets Held for sale and Discontinued Operations and IFRS 10 Consolidated Financial Statements.
- We assessed the competence, objectivity and capabilities of the external expert 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 expert engaged by management.
- We assessed the appropriateness of the Group's disclosures in respect of the acquisition of Landmark Cinemas as included in Note 10 to the consolidated financial statements.

Impairment of intangible assets (including goodwill) and property, plant and equipment

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 (including goodwill) and property, plant and equipment ('PPE'). 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 (including goodwill) and property, plant and equipment represent 67% of the Group's total assets as of December 31, 2017. 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 PPE and intangible assets (including 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 intangibles (including goodwill) and PPE 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.

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.

REPORT ON THE OTHER LEGAL, REGULATORY AND PROFESSIONAL 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 on the consolidated financial statements 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 119 of the Companies' 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:

- Chapter 1 Key figures and ratio
- Chapter 2 Annual Summary
- Chapter 5 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. We do not express any form of assurance on the board of directors' annual report on the consolidated financial statements and other information included in the annual report.

The non-financial information required by article 119 §2 of the Companies' Code has been included in a separate report attached to the board of directors' annual report on the

consolidated financial statements, which is part of section 3 of the annual report. This report on the non-financial information contains the information required by article 119 §2 of the Companies' Code and is consistent with the consolidated financial statements for the same period. The Company has prepared this non-financial information based on ISO26000. However, we do not comment on whether this non-financial information has been prepared, in all material respects, in accordance with ISO26000 as mentioned in the board of director' annual report on the consolidated financial statements. In addition, we do not express any form of assurance regarding the individual elements included in this non-financial information.

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 134 of the Companies' 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, 30 March 2018

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises
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.

Since 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. Therefore the Board of Directors has 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 2017.

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 2017, 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 Nationale Bank van België (www.nbb.be), in section 'Balanscentrale', subsection 'Jaarrekeningen raadplegen' or requested free of charge from Investor Relations.

CONDENSED UNCONSOLIDATED BALANCE SHEET OF KINOPOLIS GROUP NV

IN '000 €	2016	2017
Non-current assets	377 933	411 897
Intangible assets	4 995	5 155
Property, plant and equipment	7 419	6 682
Financial fixed assets	365 519	400 060
Current assets	35 771	34 623
TOTAL ASSETS	413 704	446 520
Equity	69 117	70 819
Issued capital	18 952	18 952
Share premium	1 154	1 154
Legal reserve	1 895	1 895
Unavailable reserves	2 526	2 526
Available reserves	7 050	7 050
Profit carried forward	37 538	39 240
Provisions and deferred taxes	3 088	99
Non-current loans and borrowings	287 831	297 354
Current loans and borrowings	39 948	64 842
Accrued charges and deferred income	13 720	13 406
TOTAL EQUITY AND LIABILITIES	413 704	446 520

CONDENSED UNCONSOLIDATED INCOME STATEMENT OF KINEPOLIS GROUP NV

IN '000 €	2016	2017
Operating income	86 090	94 493
Operating expenses	38 947	41 273
OPERATING PROFIT	47 143	53 220
Financial result	-9 021	-13 173
Current tax expenses	-12 685	-13 812
GAIN/(LOSS) FROM THE FINANCIAL YEAR FOR APPROPRIATION	25 437	26 235

PROFIT APPROPRIATION OF KINEPOLIS GROUP NV

IN '000 €	2016	2017
Gain/(loss) from the fiscal year for appropriation	25 437	26 235
Profit carrying forward from previous financial year	35 083	37 538
Transfer from equity:	-711	
- to the legal reserves	-711	
Profit to be carried forward	37 538	39 240
Dividend	23 693	24 533

MANDATES AND REMUNERATION OF THE STATUTORY AUDITOR OF KINEPOLIS GROUP NV

IN '000 €	2016	2017
Remuneration for the statutory auditor for the performance of a mandate as statutory auditor	165	274
Other audit-related services	49	
Tax services		
Other	7	9
Remuneration for other services or assignments performed within the Company by the statutory auditor	56	9
Other audit-related services		
Tax services	33	15
Other		
Remuneration for other services or assignments performed within the Company by persons associated to the statutory auditor	33	15
TOTAL	254	298

Glossary

Gross profit

Revenue – Cost of sales

Operating profit (EBIT)

Gross profit – marketing and selling expenses -
administrative expenses + other operating income -
other operating expenses

Current operating profit (REBIT)

Operating profit after eliminating non-current transactions

EBITDA

Operating profit + depreciations + amortizations
+ impairments + movements in provisions

REBITDA

EBITDA after elimination of non-current transactions

Effective tax rate

Income tax expense / profit before tax

Current profit

Profit for the period after elimination of non-current
transactions

Profit for the period, share of the Group

Profit attributable to equity holders of the Company

Basic earnings per share

Profit for the period, share of the Group /
(average number of outstanding shares – average number
of treasury shares)

Diluted earnings per share

Profit for 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)

Capital expenditure

Capitalized investments in intangible assets, property, plant
and equipment and investment property

Net financial debt

Financial debt after deduction of cash and cash equivalents
and tax shelter investments

ROCE (Return on capital employed)

REBIT / (average non-current assets – average deferred tax
assets + average assets held for sale + average trade receiv-
ables + 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, property, plant and
equipment and investment property – interest paid

Financial calendar 2018-2019

<p>WEDNESDAY</p> <p>9</p> <p>May 2018</p> <p>PUBLICATION BUSINESS UPDATE Q1 2018</p>	<p>WEDNESDAY</p> <p>9</p> <p>May 2018</p> <p>GENERAL MEETING KINEPOLIS GROUP NV</p>	<p>THURSDAY</p> <p>17</p> <p>May 2018</p> <p>DIVIDEND PAYMENT</p>
<p>THURSDAY</p> <p>23</p> <p>August 2018</p> <p>PUBLICATION H1 2018 RESULT PRESENTATION TO PRESS AND ANALYSTS</p>	<p>THURSDAY</p> <p>15</p> <p>November 2018</p> <p>PUBLICATION BUSINESS UPDATE Q3 2018</p>	<p>THURSDAY</p> <p>21</p> <p>February 2019</p> <p>PUBLICATION 2018 ANNUAL RESULTS PRESENTATION TO PRESS AND ANALYSTS</p>

These dates are subject to change.

For updates of the financial calendar, please refer to the Kinopolis Investor Relations website at

www.kinopolis.com/corporate

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