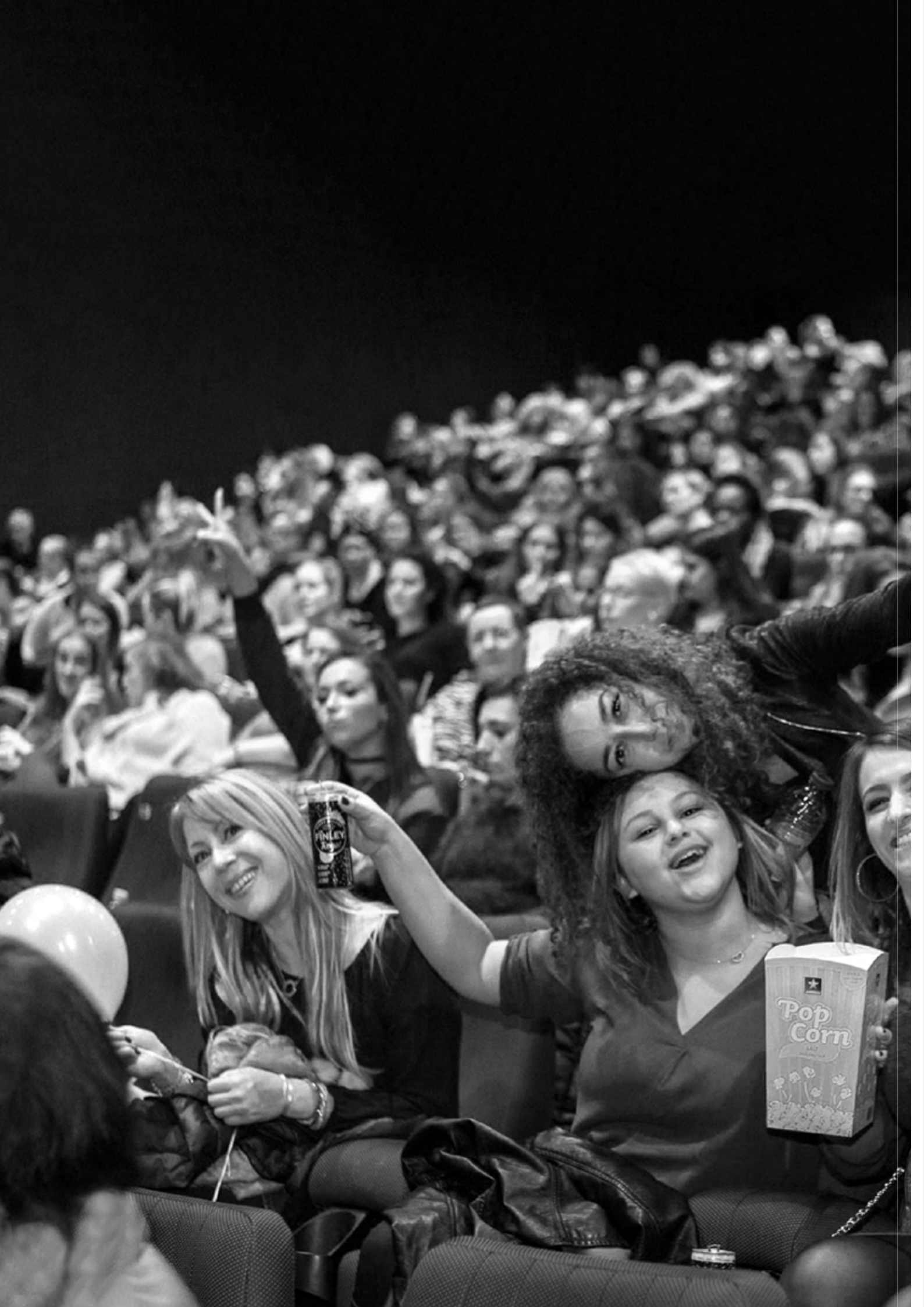




2018

KINEPOLIS GROUP ANNUAL REPORT





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Kinepolis 's-Hertogenbosch (NL)



01

KEY FIGURES & RATIOS



Key figures

Reconciliations, glossary and APM's on pages 168-170

NUMBER OF COMPLEXES ^{(1) (2)}	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	TOTAL
2018	11	12	45	8	17	3	2	98

VISITORS (MILLIONS) ⁽³⁾	BELGIUM	FRANCE	CANADA ⁽⁴⁾	SPAIN	THE NETHERLANDS	LUXEMBOURG	SWITZERLAND	TOTAL
2017	8.4	7.1	1.1	4.4	3.2	1.0	0.1	25.3
2018	8.0	6.6	11.6	4.3	4.1	0.9	0.1	35.6
2018 compared to 2017	-5.2%	-6.8%		-2.1%	28.2%	-11.9%	-14%	40.7%

CONSOLIDATED INCOME STATEMENT (IN '000 €)	2014	2015	2016	2017	2018
Revenue	262 619	301 571	324 938	355 427	475 880
EBITDA	71 303	88 739	91 650	103 186	117 187
REBITDA	74 264	90 958	94 574	104 292	118 999
Gross profit	81 843	99 578	100 209	113 395	130 229
Operating profit	50 665	65 245	63 207	72 915	79 130
Financial result	-4 295	-7 754	-7 619	-8 213	-12 371
Profit before tax	46 370	57 491	55 588	64 702	66 759
Profit	35 167	32 255	47 646	49 067	47 409
Recurring profit	35 589	43 207	40 413	44 745	47 522

ANNUAL GROWTH RATES	2014	2015	2016	2017	2018
Revenue	6.8%	14.8%	7.7%	9.4%	33.9%
EBITDA	-4.9%	24.5%	3.3%	12.6%	13.6%
REBITDA	-0.5%	22.5%	4.0%	10.3%	14.1%
Gross profit	-0.3%	21.7%	0.6%	13.2%	14.8%
Operating profit	-8.0%	28.8%	-3.1%	15.4%	8.5%
Profit	-6.3%	-8.3%	47.7%	3.0%	-3.4%
Recurring profit	-4.8%	21.4%	-6.5%	10.7%	6.2%

CONSOLIDATED BALANCE SHEET (IN '000 €)	2014	2015	2016	2017	2018
Non-current assets	302 068	392 075	424 122	514 518	558 150
Current assets	44 996	98 624	79 324	206 437	122 704
TOTAL ASSETS	347 064	490 699	503 446	720 955	680 854
Equity	104 732	123 033	149 898	176 394	177 617
Provisions and deferred tax liabilities	18 352	27 029	25 531	35 849	35 640
Non-current loans and borrowings	91 471	214 000	207 278	342 106	272 677
Current loans and borrowings	44 095	8 714	6 996	39 873	69 790
Trade and other payables	79 651	97 090	100 160	116 466	117 516
Others	8 763	20 833	13 582	10 267	7 614
TOTAL EQUITY AND LIABILITIES	347 064	490 699	503 446	720 955	680 854

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

(2) Number of complexes on publication date.

(3) Excluding Cinema City Poznań (Poland).

(4) Canada only counted for 3 weeks in 2017

DATA PER SHARE ⁽⁵⁾	2014	2015	2016	2017	2018
Revenue	9.99	11.26	11.94	13.05	17.67
EBITDA	2.71	3.31	3.37	3.79	4.35
REBITDA	2.82	3.40	3.48	3.83	4.42
Profit	1.34	1.20	1.75	1.80	1.76
Recurring profit	1.35	1.61	1.48	1.64	1.76
Equity share of the Group	3.89	4.59	5.51	6.48	6.59
Gross dividend ^{(6) (7)}	0.65	0.79	0.87	0.90	0.92
Pay-out ratio	50%	50%	50%	50%	52%

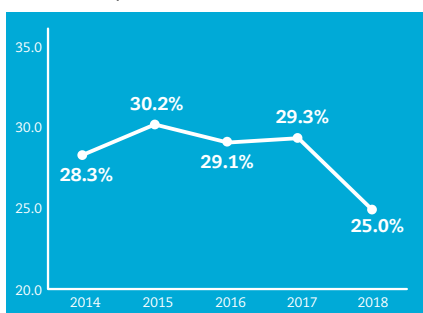
Ratios

Reconciliations, glossary and APM's on pages 168-170

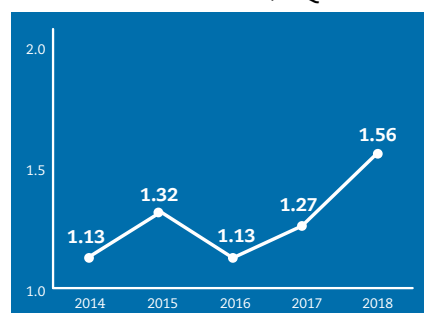
PROFITABILITY RATIOS	2014	2015	2016	2017	2018
EBITDA / Revenue	27.2%	29.4%	28.2%	29.0%	24.6%
REBITDA / Revenue	28.3%	30.2%	29.1%	29.3%	25.0%
Gross profit / Revenue	31.2%	33.0%	30.8%	31.9%	27.4%
Operating profit / Revenue	19.3%	21.6%	19.5%	20.5%	16.6%
Profit / Revenue	13.4%	10.7%	14.7%	13.8%	10.0%

FINANCIAL STRUCTURE RATIOS	2014	2015	2016	2017	2018
Net financial debt	118 645	162 008	169 751	224 310	276 818
Net financial debt / EBITDA	1.66	1.83	1.85	2.17	2.36
Net financial debt / REBITDA	1.60	1.78	1.79	2.15	2.33
Net financial debt / Equity	1.13	1.32	1.13	1.27	1.56
Equity / Total equity and liabilities	30.2%	25.1%	29.8%	24.5%	26.1%
Current Ratio	0.36	0.85	0.71	1.30	0.67
ROCE	20.9%	21.5%	17.9%	17.3%	16.3%

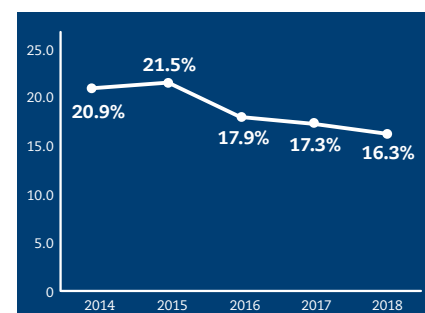
REBITDA / REVENUE



NET FINANCIAL DEBT / EQUITY



ROCE



(5) Calculation based on the weighted average number of shares for the relevant period.

(6) Calculation based on the number of shares eligible for dividend.

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



Kinopolis Brétigny-sur-Orge (FR)



02

ANNUAL REVIEW



Word from the Chairman and the CEO

Ladies and gentlemen,
Dear shareholders, customers and employees,

2018 was an important year for Kinopolis with the integration of Landmark Cinemas Canada, our first expansion outside Europe. This important step in our expansion strategy proved to be the right one: the integration of the acquired complexes is going smoothly and the Canadian activities significantly contributed to the Group's overall results. The contribution of Landmark exceeded our expectations for 2018.

Penetration into a new country and continent proved all the more important last year as we were faced with rather disappointing visitor numbers in nearly all European countries due to last summer's heat-wave, the World Football Cup and a less successful range of films. These are factors that had no or only a marginal effect on box office sales in Canada. As such, the strategic choice to invest in various markets in order to achieve better risk spreading, has been validated.

Further implementation of our corporate strategy, which is focused on the annual introduction of sales-enhancing and efficiency-driven measures, as well as a strong focus on premium product innovation, have yielded solid financial results and a further increase in sales per visitor. Combined with a carefully considered expansion strategy and cautious financial management, we have once again achieved strong growth in EBITDA, for the eleventh year in a row, against a backdrop of a debt ratio that continues to remain low.

In 2018 we welcomed more visitors than ever before in the Group's history: 35.6 million, i.e. a 40.7% increase compared to the previous year. This resulted in a 33.9% rise in revenue to € 475.9 million and a 14.1% REBITDA increase to € 119.0 million. As expected, the addition of Canada resulted in a lower average EBITDA per visitor, as most Canadian cinema complexes are leased.

The recurring profit for the period went up by 6.2%, to reach € 47.5 million. Total profit was down by 3.4% to € 47.4 million due to the non-recurring release in 2017 of deferred taxes as a consequence of the planned reduction in corporate taxes in France, Belgium and Luxembourg and through the one-off book profit realised on the sale of the Toison d'Or building in Brussels.

The Board of Directors will propose at the General Meeting on 8 May 2019 to pay out a gross dividend of € 0.92 per share for the 2018 fiscal year. This represents a dividend increase for the fifteenth consecutive year.

Market conditions force us to remain focused and to keep reinventing ourselves. In the past year, too, we invested in numerous concepts that are aimed at taking customer experience to a higher level and that will enable us to remain successful in the longer term.



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

For example, we focused on the accelerated roll-out of laser projectors including Laser ULTRA, the opening of various 4DX theatres, and the further roll-out of Cosy Seats in Europe and recliner seats in Canada.

Delivering premium experiences goes hand in hand with the further diversification of our content offering. Multicultural films, concerts, opera, art, sports and live events such as hypnosis shows are becoming standard features in our offering, alongside the regular programming. Think of it as a menu for a nice evening out. After all, cinema is all about sharing emotions. This is also apparent from successful marketing formulas that bring together fans or like-minded souls, such as film marathons, Horror Nights, new initiatives such as 'Secret Cinema by Kinopolis' and the 'Soirées K', etc.

In 2018 we welcomed more visitors than ever before in the Group's history.

In Canada too we will be introducing new and established Kinopolis concepts. In Kanata (Ontario) for instance, we opened a first self-service shop, called MarketPlace, fully in line with the popular Kinopolis shop in European cinemas. The Laser ULTRA concept too, which combines Barco's 4K laser projector with the immersive Dolby Atmos sound, will shortly be introduced to Canadian visitors.

Expansion remains high on the agenda. In 2018 too, we have taken important steps in this regard. In January, we acquired the Dutch NH cinemas in Schagen and Hoofddorp. Together with the continued growth of the newly opened Dutch multiplexes since 2016, these have been responsible for Kinopolis' sustained growth on the Dutch market.

We opened a total of six new multiplexes in France (Metz and Brétigny-sur-Orge), The Netherlands ('s-Hertogenbosch) and Canada (St. Albert, Saskatoon and Fort McMurray as replacement of an existing complex). And we closed the year with the announcement of the takeover of the EI Punt cinemas in

Barcelona and Valencia, which took effect on 1 March 2019. The 'Full' in Barcelona in particular is a true experience theatre, equipped with all state-of-the-art cinema technology. We are confident this takeover too will enable us to learn a great deal from each other.

To support our growth, we are continuing to invest in our human capital by attracting, nurturing and developing talent. The 'ultimate movie experience' starts and ends with the people who work on it on a day-to-day basis, both on and behind the scene. As such, an inspiring working environment that fosters creativity and innovation remains one of our top priorities.

Our country structure (in which a national 'support center' manages all cinemas in a given country), combined with the continued development of our support organisation, ensures – and will continue to ensure – that our expansion remains manageable and that we continue to operate efficiently as an organisation.



Opening Kinopolis 's-Hertogenbosch (NL)



Joost Bert, Philip Ghekiere, Eddy Duquenne and Nicolas De Clercq on the 'EURONEXT 20th listing anniversary'

A high-quality film offering and a premium cinema experience, combined with further expansion and a talented, motivated team: this will continue to be our recipe for success in the years ahead. The line-up for 2019 looks promising, especially for family content. Blockbusters include 'Green Book', 'Captain Marvel', 'Avengers: Endgame', 'Dumbo', 'The Lion King', 'Alladin', 'Frozen 2', 'It: Chapter Two' and 'Star Wars: Episode IX'.

Kinepolis 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 are doing everything we can to earn that trust every single day.

Eddy Duquenne
CEO Kinepolis Group

Joost Bert
Chairman of the Board of Directors

2018 at a glance

THROUGHOUT 2018

Opening of various Laser ULTRA screens



Opening of new 4DX screens in Lomme (FR), Valencia (ES) and Hasselt (BE)

1 JANUARY

Acquisition of NH Bioscopen (NL)



1 JUNE

Opening of Landmark cinema in Saskatoon (CA)



13 JUNE

Agreement with Cinionic for equipping 300 screens with Barco Laser by 2021



25 JUNE

Opening of Kinopolis 's-Hertogenbosch (NL)



JANUARY

FEBRUARY

MARCH

APRIL

MAY

JUNE

2018



1 FEBRUARY

Announcement of two new-build projects of Landmark in Saskatoon and Calgary (CA)



APRIL

Remodelling of Kinopolis Emmen (NL)



9 MAY

Appointment of Marleen Vaesen and Sonja Rottiers as independent directors and appointment of Joost Bert as Chairman of the Board of Directors



15 FEBRUARY

Opening of Landmark cinema in St. Albert (CA)



6 SEPTEMBER

Launch of 'Secret Cinema by Kinopolis' (BE)



20 SEPTEMBER

20th anniversary of Kinopolis Madrid Ciudad de la Imagen (ES)



20 SEPTEMBER

Opening of Kinopolis Brétigny-sur-Orge (FR)



SEPTEMBER-OCTOBER

Remodelling of Kinopolis Rouen (FR), Oss, Den Helder (NL) and Kirchberg (LUX)



3 DECEMBER

Opening of 'MarketPlace' in Kanata, the first mega-candy shop in Canada



18 DECEMBER

Agreement to acquire the Spanish cinema group El Punt



JULY

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER

12 JULY

Opening of Great Escape Granada (ES)



30 AUGUST

Opening of art-house cinema KLUB in Metz (FR)



8 NOVEMBER

Opening of Landmark cinema in Fort McMurray (CA)



12 NOVEMBER

Announcement of six new 4DX screens



Kinepolis Group in brief






KINEPOLIS IN EUROPE

In Europe, Kinepolis Group has 53 cinemas throughout Belgium, the Netherlands, France, Spain, Luxembourg, Switzerland and Poland. ⁽¹⁾

number of visitors
in 2018
in Europe





24 mio

complexes	 53 ⁽²⁾
screens	 567
seats	 132 764

LUXEMBOURG

 3	Esch-sur-Alzette
 22	Luxembourg City x2
 4 927	


BELGIUM

 11	Antwerp
 138	Braine l'Alleud
 36 262	Bruges
	Brussels
	Ghent

FRANCE

 12	Bourgoin
 141	Brétigny-sur-Orge
 33 635	Fenouillet
	Lomme
	Longwy
	Metz (KLUB)

SPAIN

 8	Alicante
 137	Alzira
 33 899	Barcelona
	Granada x2
	Madrid x2
	Valencia

THE NETHERLANDS

 17	Almere
 121	Breda
 22 486	Den Helder
	Dordrecht
	Emmen
	Enschede x2
	Groningen
	Hoofddorp

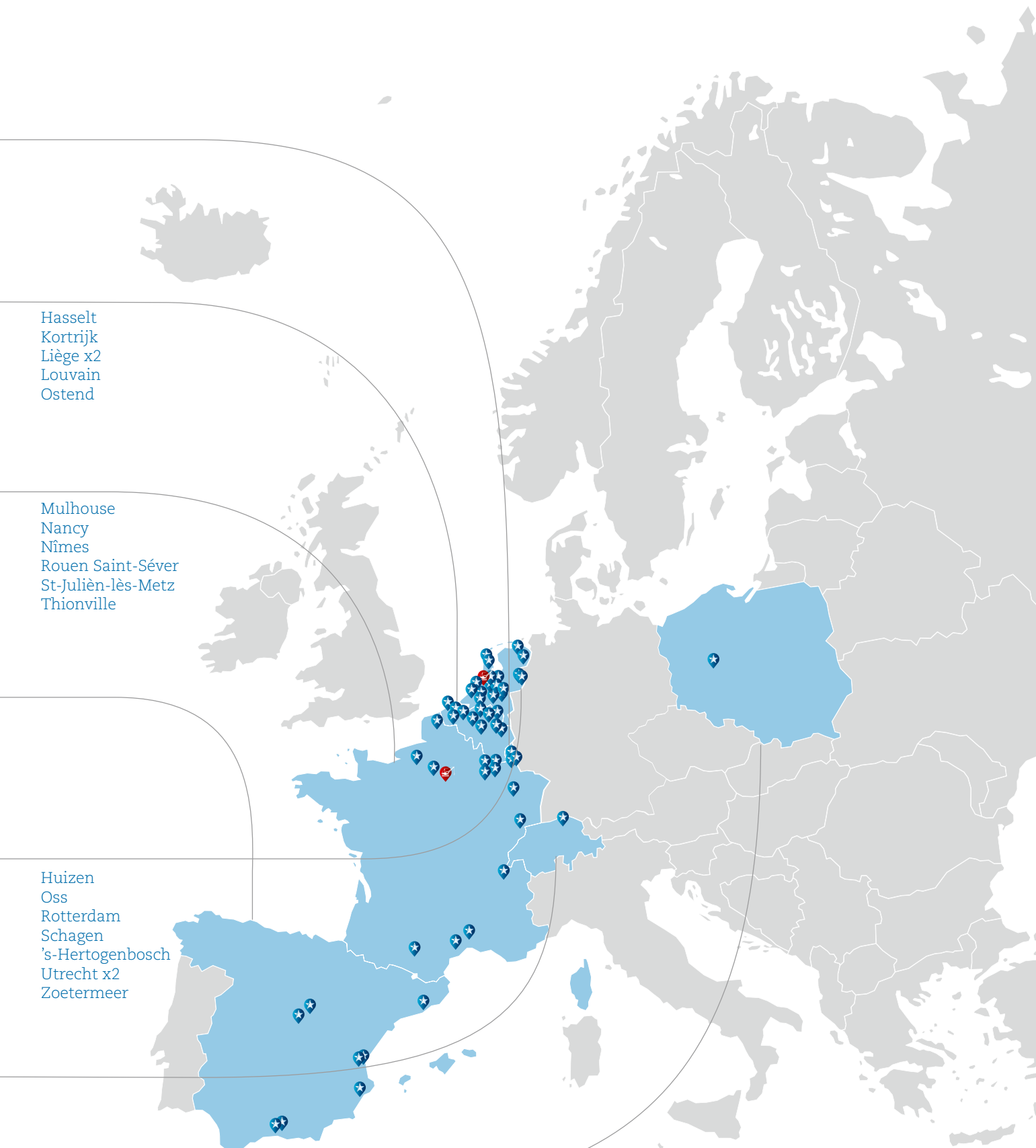
SWITZERLAND

 1	Schaffhausen
 8	
 1 555	

POLAND

 1 ⁽³⁾	Poznań
--	--------

(1) Belonging to the real estate portfolio on the date of publication regardless of whether used for cinema activities or not
 (2) Including one complex operated by Cineworld (Poznań, PL) Number of screens and seats not included in the total
 (3) Cinema operated by Cineworld with the number of screens and seats not included in this overview



Hasselt
Kortrijk
Liège x2
Louvain
Ostend

Mulhouse
Nancy
Nîmes
Rouen Saint-Séver
St-Julien-lès-Metz
Thionville

Huizen
Oss
Rotterdam
Schagen
's-Hertogenbosch
Utrecht x2
Zoetermeer

 Planned new cinema






FOUNDATION

Kinepolis Group nv was founded in 1997 through a merger of two family-run cinema groups and was listed on the stock exchange in 1998. Kinepolis 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 organisation, screen advertising and property management.

KINEPOLIS IN CANADA

Following the acquisition of the Canadian movie theatre group 'Landmark Cinemas' in December 2017, Kinopolis now has 45 cinemas in Canada. They continue to operate under the 'Landmark Cinemas' brand.




number of visitors in 2018 in Canada  **11.6 mio**

complexes  45
 screens  319
 seats  46 147

WORLDWIDE

On the date of publication of this annual report, Kinopolis Group had 98 cinema complexes⁽¹⁾ in its portfolio (45 of which it owns) with a total of 886 screens and more than 175 000 seats. Every day, 3 800 Kinopolis employees devote themselves to providing millions of cinema-goers with an unforgettable movie experience.


number of visitors in 2018 worldwide  **35.6 mio**

complexes  98⁽²⁾
 screens  886
 seats  178 911

YUKON

 2 Whitehorse (Qwanlin)
 4 Whitehorse (Yukon)
 704

BRITISH COLUMBIA

 15 Campbell River
 87 Courtenay
 14 301 Cranbrook
 Dawson Creek
 Fort St. John
 Kamloops
 Kelowna
 Nanaimo
 New Westminster
 Penticton
 Port Alberni
 Surrey (Guildford)
 Victoria
 West Kelowna (Encore)
 West Kelowna (Xtreme)

ALBERTA

 11 Airdrie
 68 Brooks
 10 423 Calgary (Country Hills)
 Calgary (Shawnessy)
 Drayton Valley

SASKATCHEWAN

 2 Saskatoon
 8 Yorkton
 1 141

MANITOBA

 5 Brandon
 31 Selkirk
 4 786 Winkler
 Winnipeg (Grant Park)
 Winnipeg (Towne)

ONTARIO

 10 Bolton
 121 Hamilton (Jackson Sq.)
 14 792 Kanata
 Kingston
 Kitchener

(1) Belonging to the real estate portfolio on the date of publication regardless of whether used for cinema activities or not
 (2) Including one complex operated by Cineworld (Poznan, PL) Number of screens and seats not included in the total



Edmonton (City Centre)
 Edmonton (Spruce Grove)
 Edson
 Fort McMurray
 St. Albert
 Sylvan Lake

London
 Orleans
 St. Catherines
 Waterloo
 Whitby



Planned new cinema

Organisation and strategy



KINEPOLIS WANTS TO BE THE BEST CINEMA OPERATOR

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



KINEPOLIS WANTS TO BE THE BEST MARKETER

Kinepolis is committed to meeting the needs and desires of the audience as far as possible through intensive interaction with its visitors together with 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 the optimal management, use and development of its unique real estate portfolio.

A photograph of a man in a red patterned jacket speaking to a large audience in a theater. The man is on the right side of the frame, facing the audience. He is holding a microphone and a piece of paper. The audience is seated in rows of black chairs, filling the left and center of the frame. The theater is dark, with a bright spotlight illuminating the speaker. The background is dark with some faint lights.

★ MISSION

Kinepolis wants to offer film and culture lovers **a unique experience** and offers a **personalised programme** to various target groups.

Kinepolis wants to create sustainable value for its customers, employees, shareholders, partners and the community. To do so, the three pillars of its strategic model go hand-in-hand with **sustainable enterprise**.



★ THE KINEPOLIS CONCEPT



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's efforts were rewarded in 2014 with a 'Global Achievement in Exhibition' award as the world's best cinema operator and with European recognition as 'International Exhibitor of the Year' in 2017.

In addition to innovations to enhance the film experience, Kinepolis also works hard to improve the pre- and post-movie experience and continually designs new shop and interior concepts (such as Leonidas Chocolates Café, Great Escape, The Magic Forest).

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

With regard to content, the regular movie programme is permanently supplemented by eye-catching events and alternative content such as concerts, art, opera and ballet.

CUSTOMER-FOCUSED INNOVATION

Kinepolis sets trends and continually 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 centre, the latest projection and sound technologies, mobile ticketing, trend-setting events and refreshing marketing approaches.

The ultimate movie experience

Our population structure is changing fast. We feel that it's only logical to integrate films from other cultures in our programming.

Didier Lombaert,
Booking & Programming Manager Belgium-Luxembourg

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 – thereby making use of an innovative digital relationship marketing system – and a tailored offering. Millions of customers receive film and event recommendations by e-mail, on the app and on the website based on their personal preferences.

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

ACTIVE PROGRAMMING

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



MULTICULTURAL PROGRAMMING

In multicultural cities, Kinopolis regularly programmes films for specific target groups such as Indian Bollywood blockbusters and Turkish hits. In 2018, Kinopolis started showing Polish and Russian films. No less than 11 000 visitors saw the popular Polish film 'Kler' in one of the Belgian Kinopolis cinemas.



OPERA & ART IN THE CINEMA

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



MARKETING AS A SERVICE

Kinopolis can reach 3.7 million customers via e-mail marketing. In total, more than 139 million e-mails were sent in 2018 (including ticket e-mails). The e-mailings with recommendations for films and events only go to a limited target group based on the knowledge that Kinopolis has built up about its customers. The average e-mailing in Belgium, for example, is sent to only 7% of the addresses in the database. The other 93% are not contacted, because Kinopolis does not feel that the message is relevant enough for these customers.



★ INNOVATION IN THE SPOTLIGHT

Kinepolis continually invests in innovation and an optimal customer experience. The majority of these innovations are part of a further diversification of the product range by which Kinepolis wants to optimally respond to the wishes of various target groups.

COSY SEATING

The Cosy Seating concept has been well received by customers and Kinepolis fitted even more Belgian and Dutch cinemas with Cosy Seats in 2018. Cosy Seats are even more comfortable seats with extra-wide armrests featuring a handy tablet for drinks and snacks and a small hat stand. Cinema-goers can opt for Cosy Seats by paying a supplement on top of the regular 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 also easier to adjust ensuring that the right amount of light is projected every time, in both 2D

and 3D. In June 2018, Kinepolis signed an agreement with Cinionic to equip approximately 300 screens with Barco laser by 2021. The cinema group already had 107 screens with laser projection in Europe at the end of 2018. In six (newly opened) cinemas, all the screens are equipped with laser projectors.

DOLBY ATMOS

Dolby Atmos is an immersive sound system that creates a breathtaking aural experience in all directions. Dozens of loudspeakers provide a clear and rich spatial sound environment so that visitors become completely immersed in the film. By the end of 2018, Kinepolis had 17 screens in Europe with Dolby Atmos sound. As per 1 March 2019, 19 extra Dolby Atmos screens have been added to this, thanks to the acquisition of the 'Full' cinema in Barcelona.

LASER ULTRA

With Laser ULTRA, Kinepolis is combining the unique image quality of Barco's 4K 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 at the centre of the action. Kinepolis currently has 16 Laser ULTRA screens



Collaboration Kinepolis and Cinionic

After the fantastic results from our previous Barco laser installations, we are delighted to strengthen our collaboration with Cinionic and roll out laser projection in both new cinemas and existing complexes.

Eddy Duquenne,
CEO Kinepolis Group



4DX: a revolutionary cinematic technology that stimulates all the senses

spread over Belgium (Antwerp, Bruges, Brussels, Ghent and Hasselt), the Netherlands (Utrecht, Breda, 's-Hertogenbosch), Luxembourg (Kirchberg), France (Lomme, Fenouillet, Brétigny-sur-Orge) and Spain (Madrid).

4DX

At the end of 2017 and in the first half of 2018, Kinopolis opened its first 4DX theatres in Brussels, Antwerp (BE), Madrid, Valencia (ES) and Lomme (FR). Kinopolis announced various new 4DX locations at the end of 2018. In the meantime, additional 4DX locations have been opened in Hasselt, Rocourt (BE) and Madrid (ES). Soon, more 4DX theatres will be opened in Ghent (BE), at the Kirchberg (LUX) and in Nîmes (FR). The innovative 4DX cinema technology raises the image of action-rich blockbusters to a higher level, far beyond the traditional cinema experience thanks to special effects such as moving seats that are perfectly synchronised with the on-screen action, wind, fog, rain, lightning, snow, bubbles, vibrations and scents. This results in an unprecedented and immersive film experience that stimulates all the senses.

IMAX

Movie-lovers have been able to enjoy the sharpest, clearest, most vivid digital images on a 532 m² screen at Kinopolis Brussels (BE) since December 2016. The IMAX screen is equipped with a 4K laser projector in combination with an immersive audio experience. In Canada, Landmark Cinemas has 5 IMAX screens.

107
Laser screens

6
Full-laser
cinemas

16
Laser ULTRA
screens

36
Screens with
Dolby Atmos

11
4DX screens

6
IMAX screens

Overview at the date of publication



Everyone at Kinopolis is encouraged to think outside the box



INNOVATION LAB

Three years ago, Kinopolis launched its 'Innovation Lab', an in-house entrepreneurial platform based on the conviction that new, surprising ideas are the oxygen that a company needs in order to remain successful and the realisation that Kinopolis has many people that possibly have some great ideas.

The best ideas are selected every quarter and teams are put together to flesh them out and implement them. In this way, the Innovation Lab also ensures that employees work together more across 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 Innovation Lab encourages everyone at Kinopolis – from student to manager – to think outside the box and dare to be 'entrepreneurial'. In this way, Kinopolis wants to become a self-innovating organisation in addition to being a self-learning organisation.





GREAT ESCAPE BY KINEPOLIS

At the end of 2017, Kinopolis launched a new experience concept: the 'Great Escape'. Teams of two-to-six people are locked in an escape room with a thematic setting (e.g. a film set). They have an hour to solve a number of puzzles and riddles in order to open the door and escape: a life-size game of Cluedo that rewards logical thinking and teamwork. Following the two escape rooms in Leuven (BE), Kinopolis also opened three escape rooms in Granada (ES) in 2018.



The escape rooms in Leuven (BE) and Granada (ES), which were opened in December 2017 and July 2018 respectively took shape within the Innovation Lab. The MORA snack wall in Kinopolis Antwerp (BE), the redevelopment of a hall in Kinopolis Madrid (ES) into a flexible B2B space and the installation of LED walls in various complexes are other examples of ideas developed within the Innovation Lab.

EXPERIMENTING AND LEARNING FROM EACH OTHER

Kinopolis cinemas are often large multiplexes with many screens, thereby giving teams the opportunity to experiment and to learn in this way. Experimentation often happens across national borders: what works in one country is also tried in other countries, wherever possible.

In 2017, for example, Kinopolis Spain experimented with a live hypnosis show in cinemas in collaboration with the Spanish hypnotist Toni Pons. It was a success and inspired the Belgian team to join forces with hypnosis artist Patrick Pickart in 2018.

eSports has also been conquering the white screen for some time. In 2018, the EU Summer Finals of the League of Legends were broadcast live in various cinemas and Kinopolis Netherlands started an eSports collaboration with FC Utrecht last year.



★ OUR ORGANISATION

The structure of Kinepolis Group is tailored to its geographic markets and is characterised by a flat organisation in which decisions can be taken quickly.

The organisation 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.



Cosy Seating

CORE BUSINESSES

BOX OFFICE

Box Office activities comprise 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 optimising cinema capacity and seat occupancy through a varied film and cultural offering. With its active programming approach, Kinopolis's goal is to offer something to different target groups at all times during the year. The classic film offer is thereby permanently supplemented with events (such as 'Ladies at the Movies', 'Horror Nights' or 'Obscure Nights') and alternative content such as concerts, art, opera and ballet.

IN-THEATRE SALES

In-theatre sales (ITS) include all activities relating to the sale of beverages and snacks in the cinema complexes. This business has become more important in recent years due to innovations in infrastructure



Ladies at the Movies



Opera in the cinema



In-theatre sales, Kinopolis Rouen (FR)

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 per country or region.

In addition to the self-service shop, Kinopolis also offers other ITS concepts such as the coffee corners, the 'Leonidas Chocolates Café' or the 'Mora snackwall' in Antwerp. In 2018, mobile ITS furniture was also developed to enable visitors in certain complexes to be served more smoothly at peak times.

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.



FIRST 'MARKETPLACE'

The well-known self-service shop concept of Kinopolis was first introduced in a Canadian cinema on 3 December 2018. The first 'MarketPlace' opened its doors in the Landmark cinema in Kanata (Ontario).





B2B Kinepolis Event Center Antwerp (BE)



Commercial tenants in the Kinepolis complex in Kirchberg (LU)



KFD premiere 'Sinterklaas en de wakkere nachten'

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 digitisation, Kinepolis cinemas with their advanced, flexible infrastructure are also ideal B2B venues for conferences, premieres and corporate events. Kinepolis's B2B teams launch campaigns in association with companies and stimulate the sale of events and cinema 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 IN BELGIUM AND LUXEMBOURG

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, in its role as a media company stimulates the production and promotion of Flemish films.

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

SCREEN ADVERTISING IN BELGIUM

With the acquisition of the advertising agency Brightfish at the end of 2011, Kinepolis launched a new core business in Belgium. Through this acquisition, Kinepolis 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.





KFD premiere with Dylan Haegens (BE)

REAL ESTATE

Real Estate is a separate business unit within Kinopolis tasked with coordinating the management, utilisation and development of the Group's property portfolio. Kinopolis stands out from many other cinema operators thanks to its unique real-estate position. The Group has a large part of its real estate in its own hands. At the date of this publication, Kinopolis had a portfolio of 98 cinemas, 45 of them owned by the company.

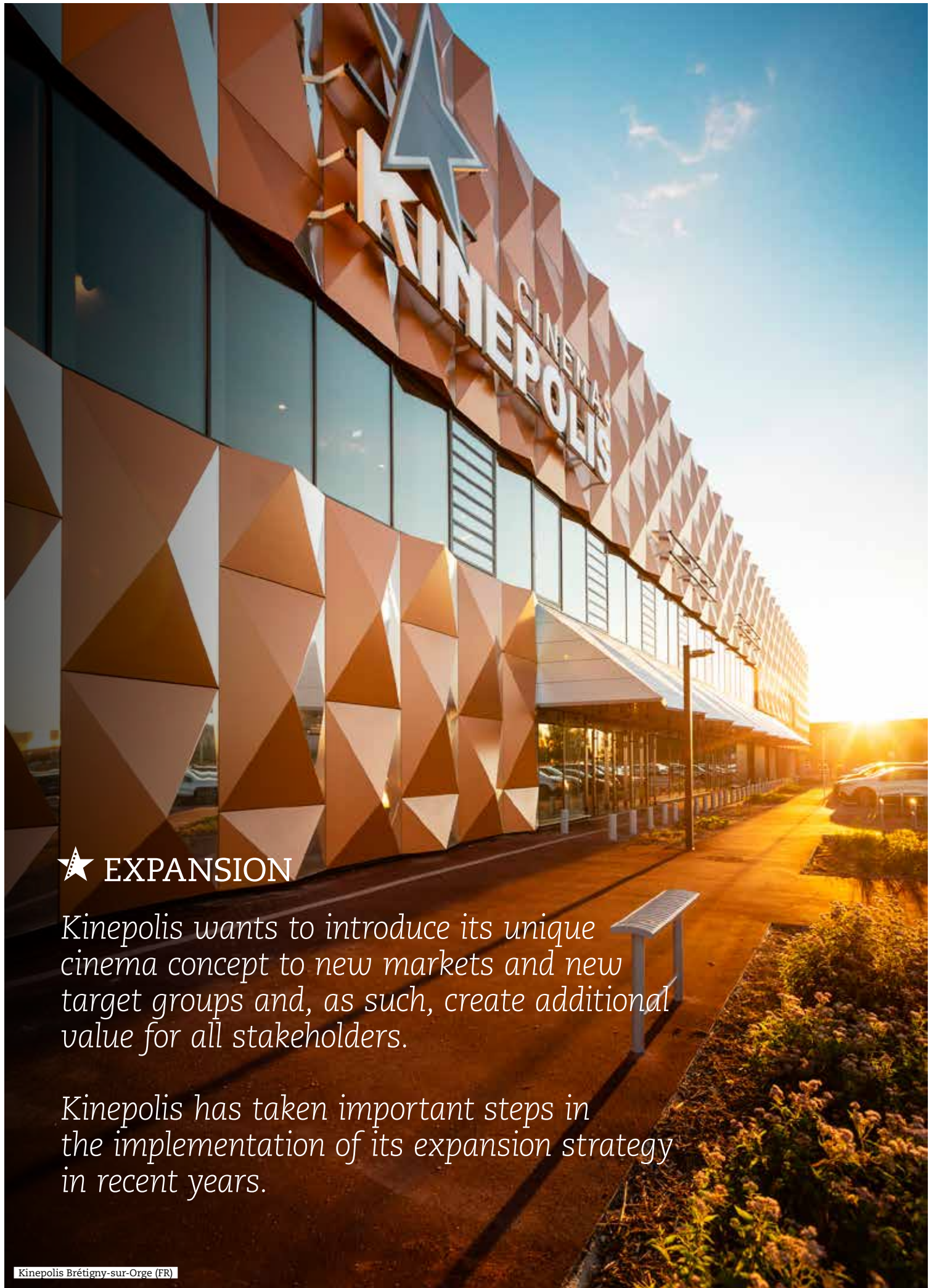
More than 90 000 m² are let to third parties. The flow of customers from these businesses (mainly shops, cafés and restaurants) is mostly generated by the presence of the cinema complex.

DIGITAL CINEMA SERVICES

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



Commercial tenants in the Kinopolis complex in Kirchberg (LU)



★ EXPANSION

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

Kinepolis has taken important steps in the implementation of its expansion strategy in recent years.



Landmark Calgary (CA)

START INTEGRATION OF CANADA

2018 was dominated by the integration of Landmark Cinemas Canada, acquired by Kinopolis in December 2017. The first non-European expansion for the Group was also the largest in terms of the number of acquired complexes.

With headquarters in Calgary (Alberta, Canada), Landmark Cinemas has 45 movie theatres of various sizes, all situated in central and western Canada. The company is the second largest cinema operator in Canada with a market share of more than 10%.

Three out of four cinemas are leased and together generate 96% of all visitors. Five cinemas have an IMAX screen, another five have Premium Large Format (PLF) screens and 14 complexes offer the recliner seating concept.

The acquisition enables Kinopolis to enter a new market, characterised by healthy macro-economic prospects, a growing population and a favourable business climate. The entry into a new continent ensures a better geographical spread of Kinopolis activities on the one hand, while also creating new growth opportunities through acquisitions and new-



Landmark St. Albert (CA)



Landmark Saskatoon (CA)



build projects on the other. Three new Landmark cinemas were opened in 2018, in St. Albert (Alberta), Saskatoon (Saskatchewan) and Fort McMurray (Alberta). The latter is a replacement of an existing complex. All the newly opened cinemas are integrally fitted with recliner seating. New openings are also planned in 2019, namely in Regina (Saskatchewan) and Calgary (Alberta).

Kinopolis runs the Canadian group, which employs 1 370 people, through a local executive management board formed by the management of Landmark Cinemas and Kinopolis, assisted by an integration team to facilitate the integration and to adapt the Kinopolis strategy to suit the Canadian market. Kinopolis will remain active in Canada under the 'Landmark Cinemas' brand.



Social ticketing system ATOM (CA)

LANDMARK CINEMAS STRATEGIC INNOVATIONS

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. In the meantime, Landmark Cinemas now has 14 cinema complexes fitted with recliner seats.



Self-service shop 'MarketPlace' (CA)

ATOM SOCIAL TICKETING SYSTEM

Landmark was the first cinema operator in 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 carried out 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.

MARKETPLACE

The well-known Kinopolis self-service shop was given the name 'MarketPlace' in Canada. The shop concept was first introduced in the Landmark cinema in Kanata (Ontario) at the beginning of December 2018.

NEW ACQUISITIONS AND OPENINGS

THE NETHERLANDS

After the acquisition of Wolff Bioscopen and the Dutch Utopolis cinemas in 2014 and 2015 respectively, Kinopolis acquired the Dutch NH Bioscopen cinemas in Hoofddorp and Schagen on 1 January 2018. The acquisition agreement also includes plans for a new-build cinema in Haarlem. The construction of this new cinema, which will have six screens and around 850 seats will start in 2019.



Kinepolis in the 'Paleiskwartier' district, close to the Central Station of 's-Hertogenbosch (NL)

In addition, a new Kinepolis cinema was opened in 's-Hertogenbosch at the end of June 2018. The cinema is located in the 'Paleiskwartier' district and has seven screens with 1 027 seats in total. The Paleiskwartier district is a part of the inner city that is in full development, close to the Central Station of 's-Hertogenbosch. The cinema is surrounded by offices, apartments, a supermarket and a restaurant.

Kinepolis entered the Dutch market in 2014 and now has 17 cinema complexes totalling 121 screens and more than 22 000 seats. Various former Wolff and former Utopolis cinemas have been converted to the Kinepolis concept in the meantime. In 2018, this was the case for the former Utopolis cinemas in Emmen, Oss and Den Helder.



'KLUB', Metz (FR)

FRANCE

In France, a new cinema in Brétigny-sur-Orge, 35 kilometres south of Paris, has been opened. It is part of the 'Les Promenades de Brétigny' retail park and it's the first Kinepolis cinema in the Île-de-France region. The cinema, which opened its doors in the summer of 2018, has 10 screens and 1 507 seats.

Further, Kinepolis took over the running of the city centre 'Palace' cinema in Metz at the beginning of 2018. After a thorough renovation, Kinepolis opened the doors of a brand new art-house cinema called 'KLUB' with seven screens and 931 seats. With KLUB, Kinepolis has developed its own art-house brand concept for the first time. Kinepolis is committed to working closely together with the city of Metz to support various cultural projects (including exhibitions). Kinepolis plans to build a new cinema with a more commercial movie programme in the same 'Quartier de l'Amphithéâtre' neighbourhood. The formalities for this cinema are still being worked out.

In addition, the cinema in Rouen (France), which was acquired in early 2016 has been thoroughly renovated including the installation of a self-service shop.



El Punt cinema 'Full' in Barcelona (ES)

The philosophy of El Punt aligns very well with that of Kinopolis: they aim for quality and constantly try to improve the products and services they offer. Innovation is at the forefront, illustrated by the extremely well-equipped cinemas featuring the latest in digital technology.

Eddy Duquenne,
CEO Kinopolis

SPAIN

At the end of 2018, Kinopolis has reached an agreement for the acquisition of two Spanish cinemas, namely cinema 'Full' in Barcelona and 'El Punt Ribera' in Valencia. Both cinemas are part of the El Punt cinema group, which is owned by the Sallent family.



© levante-emv

Cinema El Punt Ribera (ES)



Cinema El Punt Ribera (ES)



Kinepolis Madrid (ES)

The 'Full' megaplex in Barcelona has 28 screens with a total of 2 689 seats and welcomes more than 1.3 million cinema-goers every year. It is the second-largest cinema in Spain after Kinepolis Ciudad de la Imagen in Madrid. The complex is leased and situated in the 'Splau' commercial centre in Cornellá de Llobregat, close to the airport and 14 km south of Barcelona. The Full cinema complex is the flagship of the El Punt group: all screens boast high-quality 4K projectors and 19 screens have Dolby Atmos sound.

Cinema 'El Punt Ribera' is located in a commercial district in Alzira, 44 km south of Valencia. The complex has 10 screens – each featuring Dolby 7.1 sound – and 2 528 seats and attracts around 300 000 visitors annually.

After approval by the Spanish competition authority, the acquisition took effect on 1 March 2019.



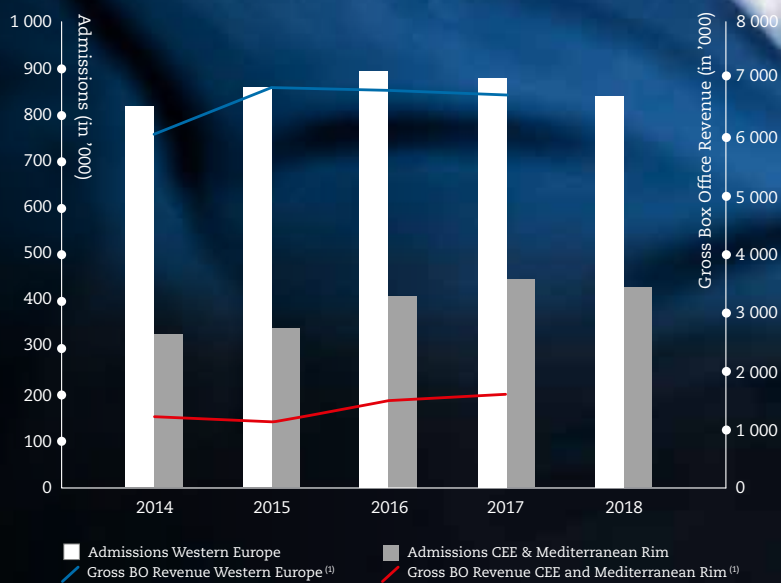
KIRCHBERG BECOMES THE KINEPOLIS FLAGSHIP IN LUXEMBOURG

The Utopolis complex in Kirchberg has been renovated in various phases over the past two years. In 2018, a new B2B space was taken into use, screens were renovated and equipped with laser projection and, in September 2018, Luxembourg visitors could enjoy the Laser ULTRA experience for the first time. The renovation into a real flagship Kinepolis cinema will be completed in 2019 including a new 4DX room and a renovated exterior façade.



Kinepolis continues to invest in expansion, evaluating several projects in various countries – both potential acquisitions and new-build.

General market information



Visitor numbers across Europe decreased again in 2018 compared with the previous year, by 3.9% . Western Europe recorded a sharper drop of 4.1% compared to Eastern and Central Europe and the Mediterranean (-3.5%), mainly due to the warm weather and the World Cup. In France, the protest of the 'yellow vests' on 6 Saturdays in 2018 also had an impact.

The Western European countries with the greatest reduction in visitor numbers in 2018 compared to 2017 were Germany (-13.9%), Switzerland (-13.5%), Luxembourg (-9.9%) and Austria (-9.8%). Denmark, Iceland, Norway and the United Kingdom are the only West-European countries with an increase in visitor numbers in 2018. In the United Kingdom, the number of visitors even increased above 177 million, the highest number since 1970.

In Eastern and Central Europe and the Mediterranean region, Ukraine (-23.5%), Bulgaria (-12.1%), Slovakia (-10.9%) and Russia (-6.2%) experienced a decrease compared to last year. The other 14 countries belonging to this part of Europe recorded an increase over last year, with Bosnia-Herzegovina and Serbia scoring the

largest increase (+7.9%), followed by the Czech Republic (+7.3%), Lithuania (+6.3%) and Poland (+5.3%). The other countries increased by less than 5%.

In those countries where visitor numbers have increased, this is mainly due to a strong local film offering.



CINEMA-GOING IN EUROPE ⁽¹⁾

	2014	2015	2016	2017	2018
Total admissions in Europe (in '000)					
Admissions Western Europe	816 517	865 959	895 702	881 234	845 159
Admissions CEE and Mediterranean Rim	334 461	344 543	406 415	447 442	432 355
TOTAL	1 150 978	1 210 502	1 302 117	1 328 676	1 277 514
Gross Box Office Revenue in Europe (in '000 €)					
Gross BO Revenue Western Europe	6 047 085	6 797 547	6 760 584	6 673 118	
Gross BO Revenue CEE and Mediterranean Rim	1 251 143	1 240 055	1 546 630	1 650 188	
TOTAL	7 298 228	8 037 602	8 308 214	8 323 306	
Average ticket prices (€)					
ATP Western Europe	7.41	7.85	7.55	7.57	
ATP CEE and Mediterranean Rim	3.74	3.60	3.81	3.69	
TOTAL	6.34	6.64	6.38	6.26	

Source: Mediasalles – Advanced News of Cinema-Going in Europe in 2018

(1) All figures stated for 2018 are provisional. Gross Box Office figures of 2018 were not available yet on the date of publication of this report. The final figures will be published at mediasalles.it later in the year.



20th anniversary Kinepolis Madrid (ES)



03

CORPORATE SOCIAL RESPONSIBILITY

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



Sustainable investment in people and the environment

Kinepolis has been attaching the greatest importance to the social, ecological and cultural consequences of its business operations for many years now.

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



CONTEXT AND METHODOLOGY

In 2017, Kinopolis made the decision to structure its existing CSR approach within the framework of the internationally-recognised ISO 26000 standard ('Guidance on social responsibility'). In accordance with this standard, a relevancy and significance assessment of the various CSR aspects and the related risks that a company faces was carried out at the end of 2018. This evaluation was carried out by the members of the Board of Directors, the senior management and the Belgian Works Council. The relevance and significance for Kinopolis itself and for its various stakeholders (including employees, customers, suppliers, investors and government) were taken into account.

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

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

The Kinopolis policy in each of these domains is set out in more detail below. According to the evaluation, the risks associated with the care for customers, employees and the environment are included in the description of the main business risks (p. 86-89).

CARE OF CUSTOMERS

Kinopolis strives to offer its customers a positive experience with every contact or visit by clearly informing them, interacting with them and responding to their wishes. In doing so, Kinopolis takes all social groups into account, which is reflected in the film programme and the facilities in its cinemas.



CARE OF EMPLOYEES

Employee well-being is an important part of the Kinopolis sustainability policy. Kinopolis works hard to develop talent and to encourage employees to get the best out of themselves. An involved employee after all creates happy customers and partners. The Kinopolis human capital policy provides various training programmes and career guidance. The annual measurement of employee satisfaction enables Kinopolis to closely monitor this policy and to develop it further.



Use of innovative, low-energy materials



Conversion to energy-efficient laser projectors

CARE FOR THE ENVIRONMENT

Via its 'Green Star' programme, Kinopolis is also committed to taking up 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 Kinopolis premises. At the same time, the company constantly works to reduce its ecological footprint by using innovative low-energy materials and structural applications.

In recent years, technological advancements have also enabled cinemas to significantly reduce the ecological impact of their operations. Examples are the digitisation of projection systems and the upsurge in online and mobile transactions. Kinopolis closely monitors new technologies and initiatives to ensure a fast response to social and ecological trends where appropriate.

KEY PERFORMANCE INDICATORS (KPI)

SUSTAINABILITY PILLARS OF KINEPOLIS	RELATED GUIDELINES ISO 26000	KPI
Customers	<ul style="list-style-type: none"> - Fair marketing, factual and unbiased information and fair contractual practices - Protecting the health and safety of consumers - Consumer service, support and complaint and dispute resolution - Consumer data protection and privacy - Education and awareness 	Customer Satisfaction Index (CSI) Number of completed client surveys per year
Employees	<ul style="list-style-type: none"> - Employment and employment relationships - Conditions of work and social protection - Social dialogue - Health and safety at work - Human development and training in the workplace 	Number of 'budget owners' in relation to the total number of employees
Environment	<ul style="list-style-type: none"> - Prevention of pollution - Sustainable use of resources - Climate Change Mitigation 	Evolution of energy consumption per year Expressed in KWh/m ² Reporting at group level as of 2019
Integrity in business	<ul style="list-style-type: none"> - Human rights - Fair operating practices 	% of employees who have signed the Code of Conduct



Foyer after reopening Kinepolis Oss (NL)

INTEGRITY IN BUSINESS

In addition 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 at the forefront of Kinepolis operations.

Measuring our sustainability performance

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

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



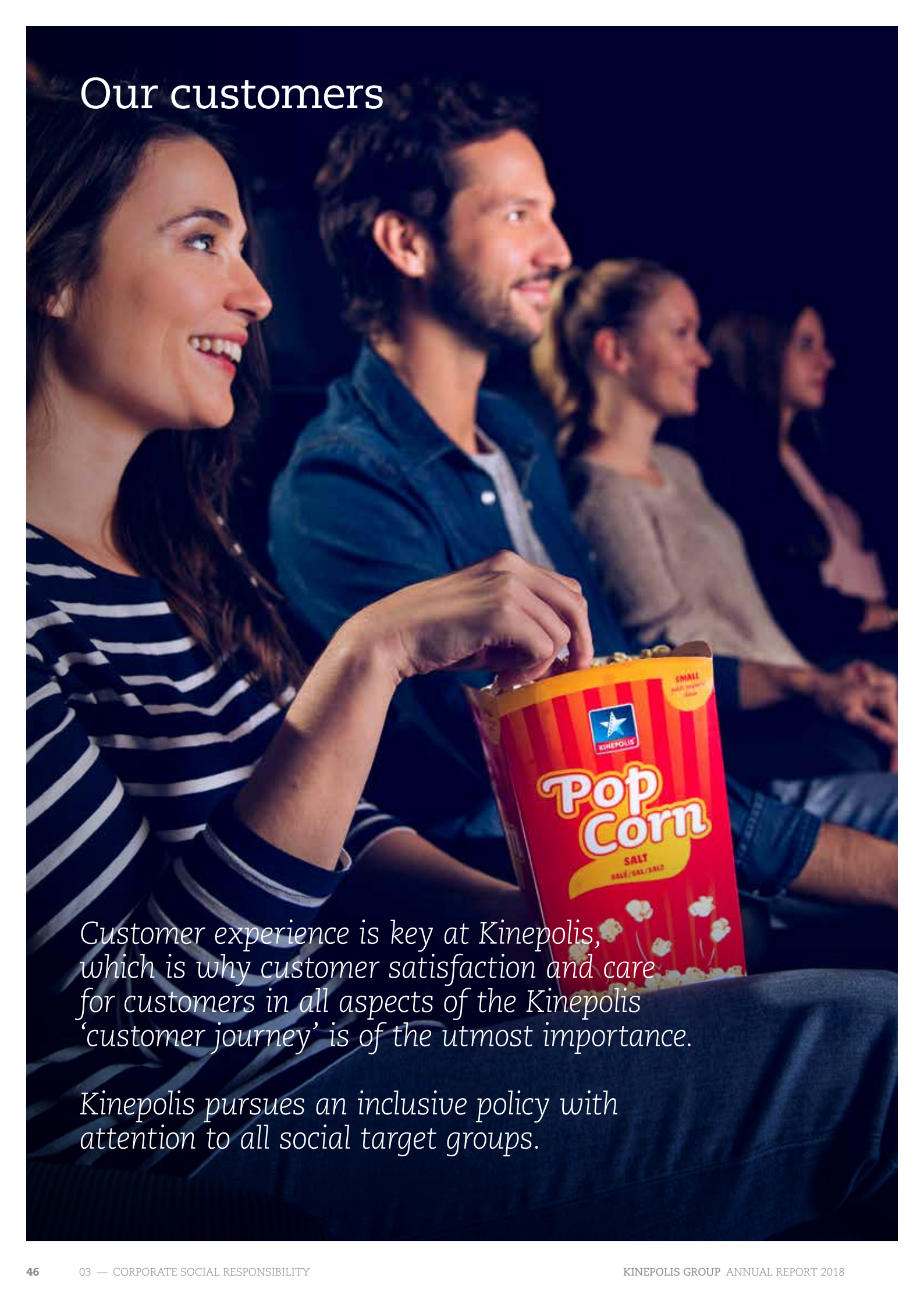
EXPLANATION WITH REGARD TO THE CANADIAN ACTIVITIES OF KINEPOLIS

Kinepolis finalised the acquisition of the **Canadian cinema group Landmark Cinemas** on 7 December 2017. Given that 2018 was marked by the first phase of integration, Kinepolis has decided to only report on its Canadian activities in this chapter sporadically, if at all.

Kinepolis is committed to implementing as much as possible of its corporate social responsibility policy – as set out in this chapter – in the Canadian organisation in the coming years. The focus will thereby 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



Customer experience is key at Kinepolis, 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 to all social target groups.

POLICY

Kinepolis strives to offer its customers a positive experience during each visit or contact and as such, increase the chance of a repeat visit and positive word-of-mouth. To do so, Kinepolis focuses on a number of aspects that all contribute to a total experience for the customer:

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

EVALUATION OF OUR POLICY: CUSTOMER SATISFACTION INDEX (CSI)

The measurement of the efforts of Kinepolis in terms of the customer experience offered is carried out on a continuous basis via the Customer Satisfaction Index (CSI). Kinepolis received 419 047 completed CSI surveys in 2018⁽¹⁾.

All visitors who buy a ticket online and leave their e-mail address receive an invitation within 24 hours to tell Kinepolis about their experience. People who do not buy their tickets online can 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 to Kinepolis.

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**



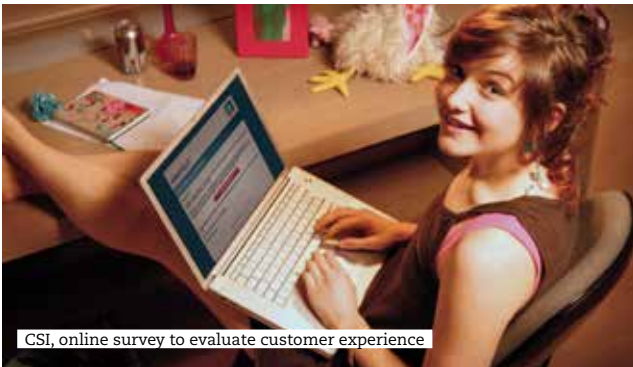
on the basis of this customer feedback. Comments about seat comfort, for example, are immediately passed on to the relevant department and the seat in question will be immediately checked and repaired where necessary.

The CSI is also an essential KPI within Kinepolis – alongside the PSI and financial parameters – for assessing the performance of cinema complexes, managers and employees. The response in all countries is more than high enough to give a representative picture of customer satisfaction.

**KPI: NUMBER OF COMPLETED
CLIENT SURVEYS (CSI) IN 2018⁽¹⁾**

419 047

⁽¹⁾ Excluding Landmark Cinemas Canada



CSI, online survey to evaluate customer experience

VISITORS' SCORE PER FILM: CUSTOMERS ADVISE CUSTOMERS

The Customer Satisfaction Index also measures the visitor score of each individual film in the Kinopolis programme. This visitor score indicates the extent to which visitors would recommend the film they have just seen to others. The customer 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. Kinopolis always publishes the visitor score of each film on its website, even if it is negative. As such, customers advise each other about which films to see with Kinopolis as facilitator. The visitor score of a film also plays a role in the recommendations Kinopolis makes to customers. That's because the score is a factor in the Kinopolis 'recommendation engine': a piece of artificial intelligence that tries to identify which films that are currently being screened will appeal to the customer.

CUSTOMER SUPPORT

Kinopolis wants to be as accessible to customers as possible and is committed to responding to questions and comments as quickly as possible. An extensive list of 'frequently asked questions' with answers is posted on the Kinopolis website to ensure that customers are well informed and to encourage self-reliance. The list is regularly updated based on customer contacts. Kinopolis 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 the Kinopolis 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 centre is also used to relieve the pressure on the cinemas and minimise waiting times. Customer questions are also answered on social media (Twitter, Facebook) on a daily basis.

PROTECTION OF CUSTOMER DATA

Kinopolis collects data about its customers as part of its relationship-marketing strategy and 'Marketing as a Service' credo. This enables Kinopolis 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. From 25 May 2018, the use of personal data has been regulated by the European Union's General Data Protection Regulation (GDPR), which is aimed to improve how personal data are protected. The basic principles behind the GDPR have, however, always been followed by Kinopolis when dealing with customer data, i.e.:

- Kinopolis 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;



- Kinopolis takes the data-related rights of its customers very seriously and makes it easy for them to exercise these rights;
- Kinopolis has a strict organisational and technical security policy with regard to its customer data.

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

A FILM PROGRAMME FOR EVERYONE

Kinopolis is committed to ensuring that the film programme always appeals to different target groups, including social (ethnic and cultural) minorities. In addition to blockbusters, Kinopolis programmes and

promotes many local and ethnic films and has developed its own successful cultural programme, 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 the cultural offer.

For example, Kinopolis programmes Bollywood blockbusters and Turkish hits in multicultural cities with large Indian and/or Turkish communities. Among other things, Russian and Polish films were started in 2018. 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.



A film programme for everyone, also for ethnic or cultural minorities

The Whatscine app offers audio description, subtitles and sign language



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

NOISE STANDARDS

Protecting visitors' hearing is something that Kinepolis takes very seriously and the company strictly applies the applicable national noise standards. Among other things, this means that Kinepolis:

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

WHEELCHAIR ACCESS

Kinepolis is committed to making as many auditoriums as possible accessible to wheelchair users. More than 90% of all Kinepolis auditoriums are accessible for people with limited mobility and most of them have reserved wheelchair spaces. All recently-opened Kinepolis cinemas are 100% wheelchair accessible. In some cinemas where not all auditoriums are wheelchair accessible due to outdated infrastructure, Kinepolis ensures that films are screened in different auditoriums at different times so that visitors with limited mobility

are able to see all the films. Kinepolis always provides clear information about whether auditoriums have wheelchair access, both online and on site.

ACCESSIBILITY FOR PEOPLE WITH A VISUAL OR AUDITORY IMPAIRMENT

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

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

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



Kinepolis installed the Twavox system in all its French cinemas



Focus on topical themes within the schools programme



Partner of 'Tournée Minérale' (Foundation against Cancer)

MOBILITY

In order to avoid traffic problems around its multiplexes, Kinopolis encourages the use of alternative transport. Customers are informed as well as possible about the different ways to get to the cinema. Most Kinopolis sites offer covered cycle parking facilities and the site is made accessible and open to public transport where possible. For example, investment in an additional bicycle parking was made in Ghent in 2018.

SOCIAL ENGAGEMENT

INCLUSIVE PROGRAMMING POLICY

Kinopolis is aware of its sociocultural responsibilities and is committed to creating a **film programme that reflects the diversity of today's society**. Kinopolis' multicultural programming (see p. 23) and special screenings for senior citizens are concrete examples of the inclusive programming policy of Kinopolis with attention to all social target groups.

As part of its B2B-activities, Kinopolis has created a **schools programme** in which attention is given to current topics in the curriculum and films are offered together with an educational dossier. Schools hereby enjoy very attractive prices. Films can be a catalyst for discussion (about subjects such as 'Anti-bullying Week' and 'Safer Internet Day') or to introduce children to another language or culture (such as 'Cinéperles', which provide an introduction into French language and culture).

COMMUNITY INVOLVEMENT

Kinopolis also wants to accept its social responsibilities and increase its social engagement by **supporting charities** via sponsoring, patronage, by organising or supporting benefit campaigns or by stimulating social employment. Kinopolis supported various projects in 2018, such as the 'Tournée Minérale' (foundation against cancer), the '1 000 km Kom op tegen Kanker', 'Rode Neuzen' and 'Viva for Life' in Belgium, the Red Cross in Spain, 'Stichting Zonnebloem' in the Netherlands and 'Espoir en Tête' in Luxembourg.



COOPERATION WITH 'STICHTING ZONNEBLOEM'

On 3 October 2018, on the occasion of the Week of Accessibility, Kinopolis Netherlands organised a special performance for 3 200 disabled guests and volunteers, in cooperation with Stichting Zonnebloem. The special presentation of the successful Dutch film 'Bankier van het Verzet' (the Resistance Banker) took place in 13 different Kinopolis cinemas at the same time. After the cinema outing, visitors were invited to give feedback on the accessibility of the relevant cinemas for the disabled.



Our people



More than 3 800 employees work hard every day to give millions of cinema visitors an unforgettable film experience.

Kinepolis is fully conscious of the fact that it is the talent and commitment of its employees that drive its success.

OUR HR POLICY: 'PLUS EST EN NOUS'

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

- attracting competent employees with the right attitude, in line with the behavioural values of Kinopolis;
- maintaining and developing committed and motivated talents by creating an optimal working environment, in which:
 - everyone is able to make optimal use of his or her talents;
 - the Kinopolis values are put into daily practice;
 - opportunities for further growth are offered at a personal and/or professional level;
 - every employee is able to contribute to the further development of the company and its products.

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

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

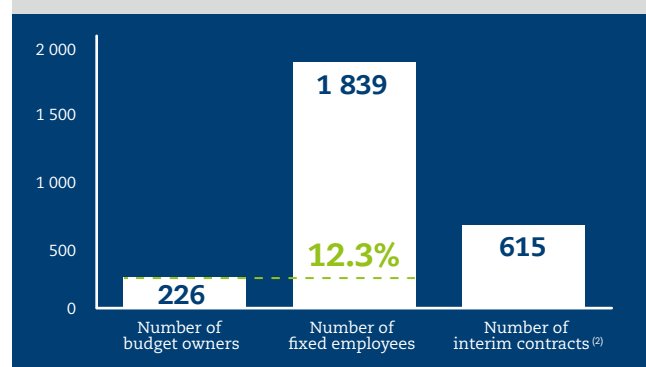


Kinopolis aspires to get the best out of its employees under the motto 'Plus est en nous' by enabling employees to internalise the self-learning and self-innovating corporate culture and creating a working environment that facilitates the development of talent.

EVALUATION OF OUR POLICY

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

KPI: NUMBER OF 'BUDGET OWNERS' IN RELATION TO THE TOTAL NUMBER OF EMPLOYEES IN 2018⁽¹⁾



(1) Excluding Landmark Cinemas Canada

(2) Students in Belgium, employed by Randstad

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

KINEPOLIS VALUES

‘Client Focus’, ‘Teamwork’, ‘Operational Excellence’, ‘Flexibility’ and ‘Hands-on’ are the behavioural values that every Kinopolis employee works hard to put into practice. Every individual and every team is expected to ensure that the customer is central and that they work together towards a shared goal, doing his or her job properly and efficiently, dealing with change in a flexible way and showing a sense of initiative and entrepreneurship. Kinopolis uses a ‘Hire for attitude’ policy for new recruitments: the right attitude is more important than the right diploma. Kinopolis is prepared to invest more in the training of new employees as long as the behaviour and attitude of the candidates are in line with the values of the company.

PEOPLE SATISFACTION INDEX

Kinopolis measures employee satisfaction every year by means of a People Satisfaction Index (PSI) survey. Employees are invited to share their experience of Kinopolis as an employer, completely anonymously, indicating what they like and what they feel could be improved. The results are then discussed 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 organisation that is responsible for the anonymity and confidentiality of the survey. In 2018, 82.3% of Kinopolis employees participated in the survey and overall satisfaction remained at the same high level as in the previous year.

KINEPOLIS ACADEMY AND KINEPOLIS UNIVERSITY

Training – for every employee – is another important aspect of the Human Capital policy. Among other things, the Kinopolis Academy helps employees improve their personal skills through **e-learning**. Many training courses are organised on the work floor, with senior employees assuming a coaching role to help new employees during their on-boarding process. There are also **personal coaching courses** for managers through the Kinopolis University. The ‘Insights Discovery’ training courses have been organised for teams since 2017 and a Leadership Track programme for senior management was started in 2018.

The five statements that were given the highest PSI scores in 2018 were:



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



2. My manager is available for me



3. There is a good working atmosphere, it is fun at work



4. I am able to work in an efficient manner



5. There is good cooperation within my department



TALENT FACTORY

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

Talents within the company are identified with an eye to development and promotion possibilities. **Internal mobility** after all 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 managers. Kinopolis highlights internal mobility with the aim of motivating and inspiring employees through an internal communication series ‘Talent on the Move’.

SELF-LEARNING ORGANISATION

In its daily operational management, Kinopolis creates and encourages **learning networks** through its ‘operating reviews’, among other things.

Employees in similar functions but from different cinemas, thereby engage in conversations in order to gain new insights and to learn from each other. In this way, Kinopolis invests in a work environment that revolves around feedback and entrepreneurship.



TALENT ON THE MOVE

Suzy Horemans, formerly the Theatre Manager of Kinopolis Antwerp (BE), Kinopolis Enschede and Kinopolis Jaarbeurs (NL) consecutively, made the switch to Landmark Cinemas Canada on 1 September 2018. With her extensive Kinopolis experience, she completes the Canadian management team as Liaison/Operations Support Manager. In her new role, Suzy supervises the integration of Landmark Cinemas, a fine example of how a personal development trajectory is in line with the growth and further development of the organisation.



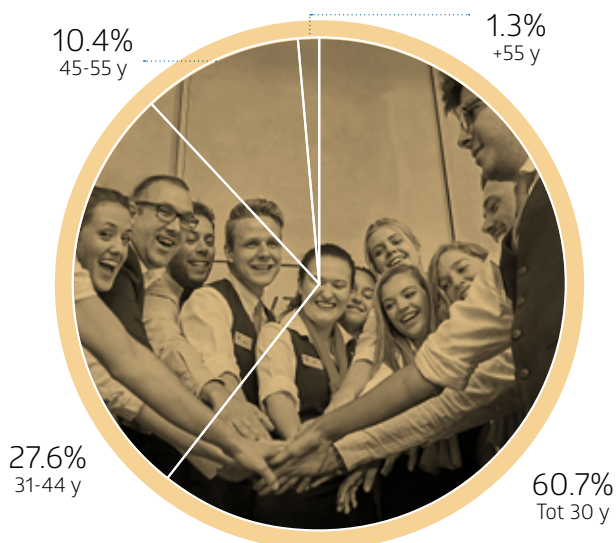
SELF-INNOVATING ORGANISATION

With the introduction of the Kinopolis **Innovation Lab** (see p. 26), which encourages employees to submit innovative ideas and then work them out together with a project team, Kinopolis aims to be both a self-learning and a **self-innovating organisation**.

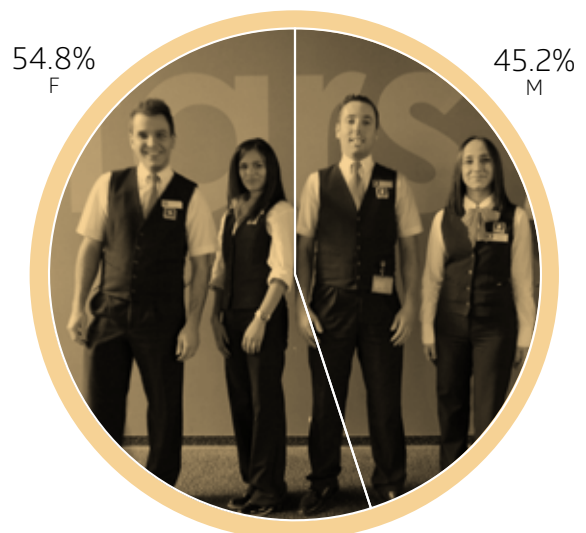
EMPLOYEE HEALTH AND SAFETY

Kinopolis has always been committed to ensuring a safe working environment and takes appropriate measures to ensure that all activities such as replacing projector lamps and maintenance work on technical installations and screens, are carried out safely as possible. In addition, Kinopolis runs an annual staff flu vaccination pro-

AGE DISTRIBUTION



GENDER SPREAD





KINEPOLIS AS THE FIRST WORK EXPERIENCE FOR STUDENTS

Kinopolis employed 1 175 students in Belgium in 2018. These students commit themselves to work in the cinema on at least one weekday and one weekend day per week. The duties vary: from working at the cash desk or in the shop, to cleaning or coordinating events. Kinopolis thereby provides hundreds of young people with a first work experience and guides them in acquiring many professional skills such as working in a team and bearing responsibility. Many of them stay with Kinopolis for years and there are numerous examples of students who have signed a permanent contract and have a rewarding career at Kinopolis.

gramme. The head office in Ghent is currently being renovated with a view to further optimising the working environment for the growing organisation.

CONSTRUCTIVE DIALOGUE WITH SOCIAL PARTNERS

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



MASOUDY ANISSA, STUDENT AT KINEPOLIS ANTWERP:

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



MEHIC SEJL, STUDENT AT KINEPOLIS ANTWERP:

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



DIVERSITY

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

Care for the environment



Sustainable design and execution of new-build projects such as Kinepolis 's-Hertogenbosch (NL)



GREEN STAR POLICY

Kinepolis seeks to limit its environmental footprint as far as possible by means of its 'Green Star' policy (introduced in 2011) that is based on the following principles:

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

The main objective of the above-mentioned policies is to systematically optimise or at least maintain the level of energy consumption. Kinepolis will use the evolution of energy consumption within the Group (expressed in kWh/m²) as Key Performance Indicator. Reporting at group level based on comparable data is foreseen as of 2019.

SUSTAINABLE REAL ESTATE

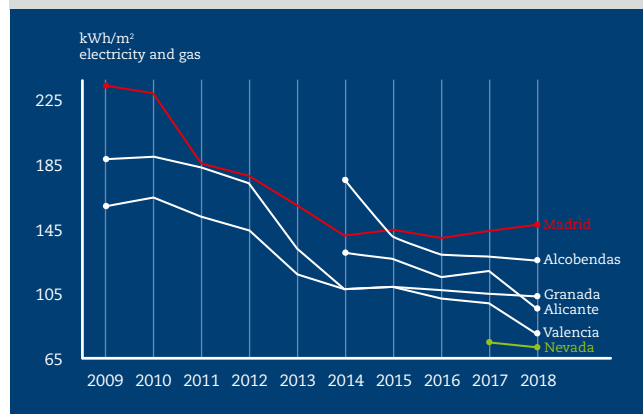
In addition to the comfort of visitors and employees, the green parameters are also central concerns for both the design of new complexes and the renovation of existing ones. Kinepolis endeavours to minimise its ecological footprint through its choice of energy sources and building materials and by using spaces flexibly.

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

- Use of certified materials and techniques with a limited ecological impact;
- Adaptation of systems to sustainable sources of energy such as the 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 water-saving technology in toilets.

EVOLUTION ENERGY CONSUMPTION (SPAIN)

Kinepolis Nevada (recently opened) consumes about half of the energy compared to the older Kinepolis complex in Madrid





New-build cinema Kinopolis Utrecht (NL)



100% recyclable PVC flooring in shops

Renovations are often the ideal opportunity for implementing additional measures such as:

- Installing additional insulation during roofing work;
- Insulating the parking spaces under the theatres;
- Using water-permeable asphalt when renovating parking lots in order 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 water-saving technology in toilets.

GPR CERTIFICATION FOR NEW CINEMAS

Kinopolis 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. Kinopolis Dordrecht (opened in 2016) and Kinopolis 's-Hertogenbosch (opened in 2018) presented an excellent report in all areas and received the GPR certification. Kinopolis will continue to pursue the GPR certification for future new projects in the Netherlands.

SOLAR PANELS FOR KINEPOLIS 'S-HERTOGENBOSCH

Kinopolis 's-Hertogenbosch is the first Kinopolis cinema to have a photovoltaic system. The installation was put into use in early 2019 and will lead to an estimated energy saving of 20 to 25% for the cinema complex.

APPLICATION OF ADVANCED ENERGY-SAVING TECHNIQUES

Kinopolis has been able to reduce power consumption year after year due to the intensive monitoring and adjustment of its technical systems. Kinopolis systematically measures and assesses power consumption at its cinemas and where possible, takes steps to continue to reduce consumption. The air conditioning system at Kinopolis Dordrecht is equipped with the innovative **BaOPT system**. This is a revolutionary technology that creates a much more natural and pleasant interior atmosphere while delivering a significant reduction in energy consumption. A similar installation was installed in 's-Hertogenbosch in 2018.

Kinopolis has been deploying **Optivolt** energy-saving systems (see box) in Belgium and the Netherlands from the beginning of 2017.

The installation of similar systems was also started in Spain in 2018, working together with another supplier.



OPTIVOLT

Kinopolis first used the Optivolt systems to reduce power consumption at Kinopolis Antwerp in January 2017, by eliminating inefficient consumption. After a positive evaluation, almost all Belgian and various Dutch Kinopolis cinemas were equipped with, among others, Optivolt V-Liners® and Multiliners in 2017 and 2018. Optivolt works with engineers to ensure that control systems in existing buildings work as efficiently as possible and neutralise the peaks in power consumption. A significant reduction in power consumption can be achieved by making sure the systems work efficiently with special attention to the interactions between them. Peak capacities, for example have been reduced by around 20%.



Kinepolis 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. Another example is the conversion from open to closed popcorn warmers. Closed popcorn warmers consume between 30% and 60% less power than open ones. In the course of 2017 and 2018, Kinepolis replaced dozens of popcorn warmers. A further roll-out is planned in 2019.

SAVING WATER

Kinepolis is also concerned about its water consumption and is implementing 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 optimise flushing after every use to ensure maximum hygiene without wasting water. In recent years, Kinepolis has also replaced the traditional washbasins in most complexes with automatic, water-efficient taps based on optical detection.



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



Laser projectors use 30 to 40% less energy than xenon lamp projectors

SUSTAINABLE TECHNOLOGY

LASER PROJECTION

An important step in the sustainability policy of Kinopolis was the digitisation of the projection systems. This technological evolution has made the chemical production of film celluloid and the transport of voluminous film rolls redundant. Projection technology has taken a step further in the meantime and Kinopolis has completely chosen laser projection. In June 2018, the cinema group signed an agreement with Cinionic, Barco's cinema joint venture, to equip approx. 300 screens with Barco laser projection by 2021.

This includes both installations in new cinemas that are to be built and replacements of older models in existing sites.

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

At the end of 2018, Kinopolis had more than 100 screens with laser projection, providing an energy saving of 44 MWh on an annual basis.



Laser projectors ensure sublime image quality





ONLINE AND MOBILE TICKETING

The increasing importance of online and mobile ticket sales also reduces the ecological impact of operations. Years ago, Kinopolis was one of the first cinema operators to introduce numbered and reserved seating, as such stimulating online ticket sales. 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. Moreover, virtually all Belgian cinemas have been operating since last year completely ticketless for people with an online reservation (representing approximately 35% of the total ticket sales). This also means that small tickets will no longer be printed at the tear station, which was previously the case.

WASTE SORTING

Kinopolis has long made efforts to limit waste and to ensure the specialised removal of waste flows.

Kinopolis tries to minimise waste wherever possible. 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. Where possible, they are fitted with new upholstery material.

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

REALISED ENVIRONMENTAL SAVINGS AT KINOPOLIS ANTWERP AND BRUSSELS

Realised environmental savings resulting from waste sorting

In 2018, Kinopolis Mega collected 314 tons of waste. Together with Renewi, Kinopolis ensured that several waste streams were pre-sorted and collected separately, such as: Paper/cardboard, PMC, Glass, Foil and other waste streams. Compared to the residual waste, this resulted in the following savings:

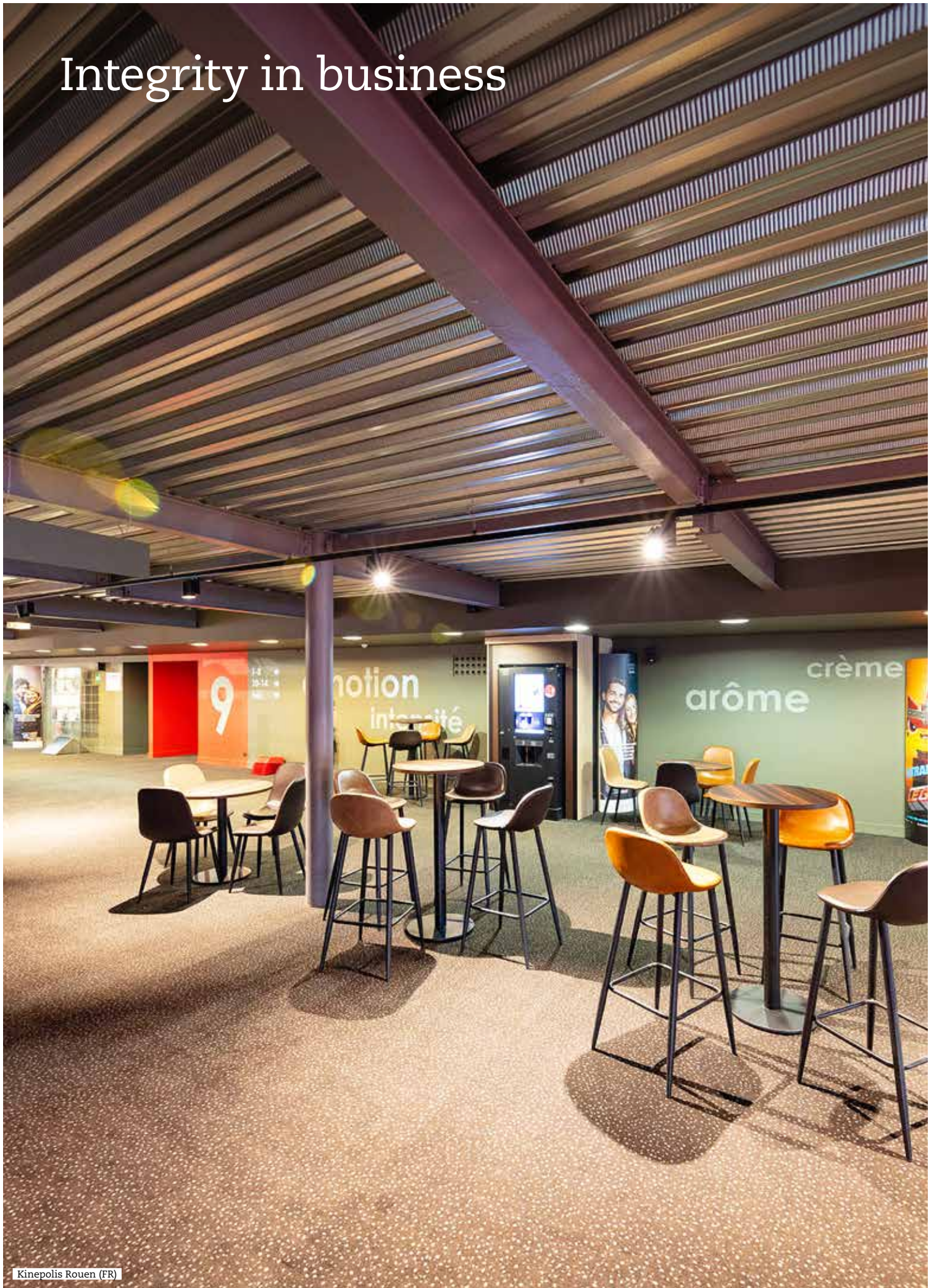
30%
Waste sorting

23%
More preservation of resources

14 ton
Avoided CO₂

Source: Renewi

Integrity in business



Kinepolis Rouen (FR)



KINEPOLIS ANTI-CORRUPTION AND BRIBERY POLICY

Kinopolis pursues a stringent anti-corruption and bribery policy:

- Kinopolis prohibits the offering and/or payment of bribes to State employees (or the acceptance of such);
- Kinopolis 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 Kinopolis wish to be connected in any way with money laundering;
- Kinopolis carries out business exclusively with partners who operate in an honest way and who cannot be associated with fraud in any way.

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

In addition, the Kinopolis management is made particularly aware of the anti-corruption and bribery policy in compulsory risk management and control measures training courses. Employees are encouraged

to immediately report potential risk situations to their line manager, making use of the formal 'whistle-blower' procedure or not, 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

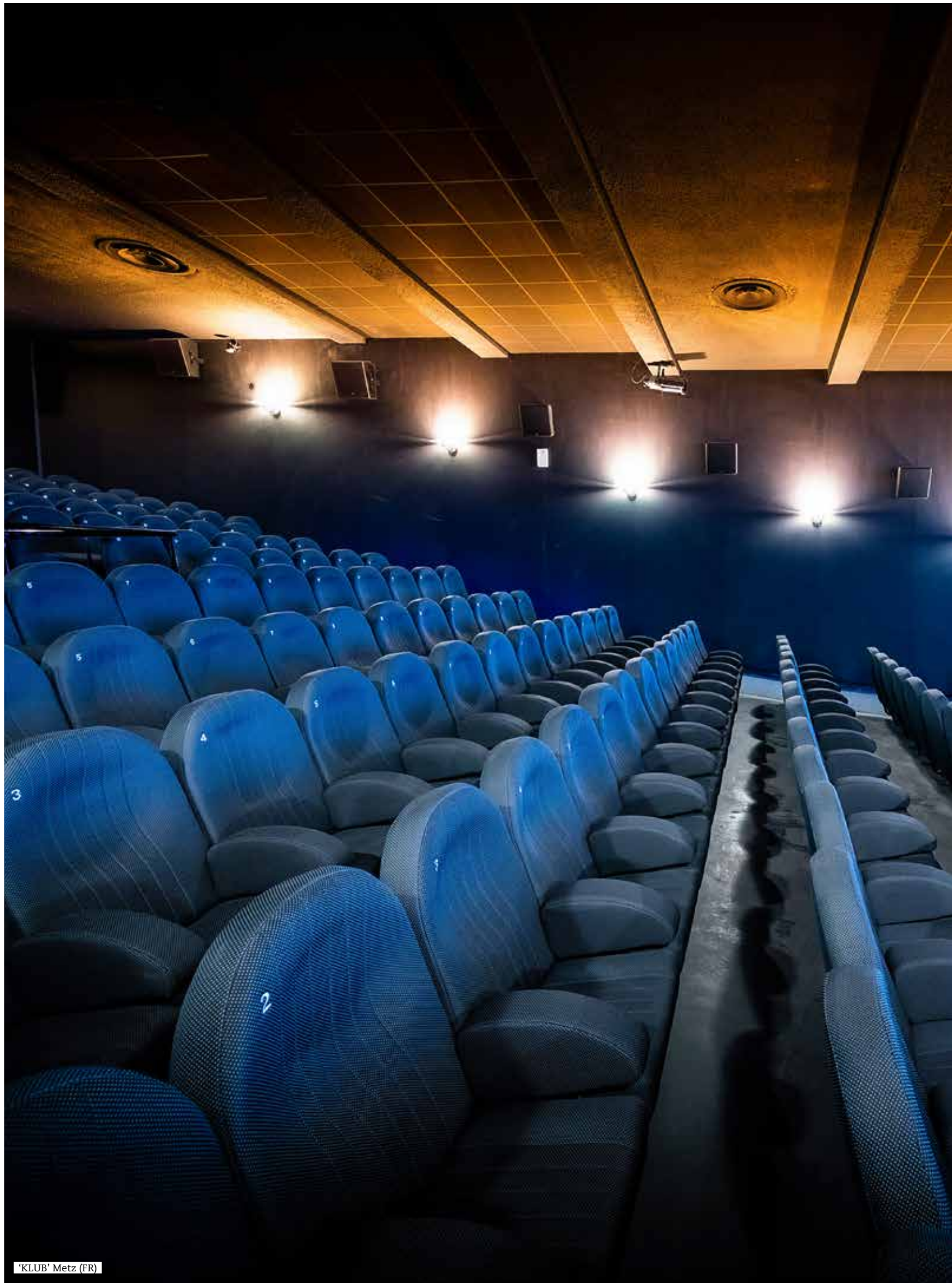
Kinopolis subscribed to the Universal Declaration of Human Rights as adopted by the United Nations and endeavours to comply with it in all aspects of its operational management. These rights are guaranteed by compliance with the laws of the countries in which Kinopolis currently does business and respect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

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

KPI: % of employees who have signed the Code of Conduct (2018)⁽¹⁾

100%

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



'KLUB' Metz (FR)



04

REPORT OF THE BOARD OF DIRECTORS



Discussion of the results



Kinepolis Rouen (FR)

2018 was a successful year for Kinopolis in terms of implementing and validating its long-term business and expansion strategy. The successful integration of the Canadian Landmark Cinemas contributed strongly to the results of the Group. In addition, Kinopolis also took major steps in the further expansion of the Group.

Kinopolis received more visitors than ever before in the history of the Group in 2018, namely 35.6 million, an increase of 40.7% compared to last year. This led to a 33.9% increase in revenue to € 475.9 million and a 14.1% increase in REBITDA to € 119.0 million. As foreseen, the addition of Canada resulted in a lower average EBITDA per visitor, since most Canadian cinema complexes are rented.

It is common knowledge that last summer's heatwave, the World Cup and a less appealing range of Hollywood films had an impact on visitor numbers in Europe. Further implementation of the corporate strategy – which focused on the annual introduction of sales-enhancing and efficiency-driven measures, as well as strong focus on premium product innovation – again led to an improved EBITDA.

VISITORS

Kinopolis received 35.6 million visitors in 2018 (+40.7%), thanks to the expansion in Canada, the opening of several new complexes and the acquisition of the NH Cinemas in Hoofddorp and Schagen (the Netherlands). Leaving expansion aside, we saw a decline in the number of visitors in most European countries due to a very hot summer, the World Cup, less successful content and the absence of strong blockbusters in the fourth quarter. Kinopolis Nederland received more than a quarter more visitors in 2018 (+28.2%), thanks to the further growth of the newly opened complexes since 2016, the acquisition of NH Bioscopen and the opening of Kinopolis 's-Hertogenbosch in June 2018.

A very strong first quarter in Belgium thanks to the success of the local films 'Patser', 'FC De Kampioenen 3' and 'De Buurtpolitie' was cancelled out by a rather weak

third and fourth quarter characterised by content that was less successful than the year before and a year-end without big blockbusters. Spain was able to count on a stronger second quarter thanks to successful local content and benefited in the second half-year from the reduction of VAT on cinema tickets.

The top 5 movies of 2018 were 'Avengers: Infinity War', 'The Incredibles 2', 'Jurassic World: Fallen Kingdom', 'Black Panther' and 'Bohemian Rhapsody'. The most successful local films were 'Patser', 'Niet Schieten' and 'FC De Kampioenen 3' in Belgium, 'Superj hemp Retörns' in Luxembourg, 'Les Tuches 3' and 'Une Jolie Ch'tite Famille' in France, 'the Resistance Banker' and 'Bon Bini Holland 2' in the Netherlands and 'Campeones' in Spain.

REVENUE

Total revenue in 2018 was € 475.9 million, an increase of 33.9% compared with 2017. Visitor-related revenue experienced a stronger increase than the visitor numbers (+41%), thanks to an increase in sales per visitor in



Total revenue in 2018 was € 475.9 million, an increase of 33.9% compared with 2017.

all countries⁽¹⁾. Revenue from Box Office (BO) increased by 35.5% and revenue from sales of drinks and snacks (In-theatre sales, ITS) increased by 53.6%.

Revenue of almost all other business lines also increased. For example, revenue from B2B activities increased by 14.3%, from real estate by 2.9% and from the Belgian film distribution business (Kinopolis Film Distribution, KFD) by 20.7%. Only Brightfish, the Belgian screen advertising agency saw its revenue fall by 11.8%.

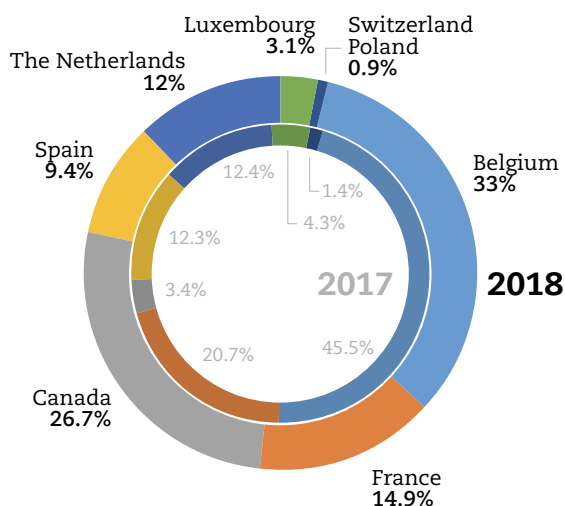
Box Office revenue increased by 35.5%, to € 260.5 million. BO per visitor increased in all countries (except for Canada, which was reporting a full year for the first time) thanks to the sale of premium products such as Cosy Seats and 4DX, the growing success of alternative content in all countries and a number of inflation-compensating measures. The global increase was influenced by a strongly modified country mix, by the addition of Canada with a lower-than-average BO per visitor and, consequently, a lower share of Belgium with a higher-than-average BO per visitor.

In-theatre sales increased by 53.6% thanks to an increase in ITS consumption per visitor in all countries and the addition of Canada with higher-than-average ITS consumption per visitor. In almost all countries, we saw more visitors in the shop, who also bought more products. The constant expansion of the ITS offer (including premium popcorn and luxury water and nut brands) contributed to the higher ITS revenue together with a positive country-mix effect thanks to the higher share of Canada, which also applied for a full year for the first time.

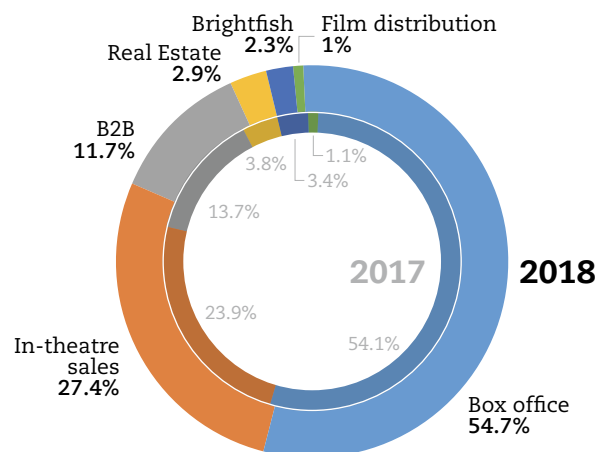
B2B revenue increased by 14.3% due to a strong rise in screen advertising mainly due to the expansion of the Group. The sale of events also increased, as did the sale of cinema vouchers to companies.

Real estate revenue increased by 2.9%⁽²⁾ thanks to increased rental income in Luxembourg, despite the loss of revenue from the Toison D'Or building in Brussels (BE), which was sold in 2017.

REVENUE BY COUNTRY
IN 2018 COMPARED TO 2017⁽³⁾



REVENUE BY ACTIVITY
IN 2018 COMPARED TO 2017⁽⁴⁾



(1) the comparison for Canada does not apply, as the Canadian activities were only included for 3 weeks in 2017.
 (2) At constant exchange rates, 3% including the exchange rate effect.
 (3) Revenue of Canada was included from 8 December 2017.
 (4) B2B includes screen advertising



Revenue from **Kinepolis Film Distribution (KFD)** increased by 20.7% due to the great success of the local films 'Patser', 'De Buurtpolitie' and 'Niet Schieten'.

Brightfish generated 11.8% less revenue due to fewer events and a decline in national screen advertising.

REBITDA

Recurring EBITDA (REBITDA) increased by 14.1% to € 119.0 million. The REBITDA margin fell from 29.3% to 25% because of the addition of Canadian activities with, as foreseen, a below-average contribution per visitor, considering that more than 95% of visitors are received in rented complexes in Canada.

At group level, REBITDA per visitor dropped from € 4.12 to € 3.34, because of the addition of Canada. Without expansion, REBITDA per visitor showed a slight increase.

PROFIT FOR THE PERIOD

Recurring profit in 2018 was € 47.5 million, a rise of 6.2% compared with 2017 (€ 44.7 million) thanks to the higher recurring EBITDA and a lower tax rate, despite higher depreciation and increased financial costs as a consequence of the growth of the Group.

Total profit was € 47.4 million compared with € 49.1 million in 2017, a reduction of 3.4% due to the non-recurring release in 2017 of deferred taxes as a consequence of the planned reduction in corporation tax in France, Belgium and Luxembourg and through the one-off book profit realised on the sale of the Toison D'Or building in Brussels.

The main non-recurring items in 2018 were mainly one-off tax securities (€ 0.7 million), impairment of goodwill (€ -0.5 million) related to the upcoming closing of Nîmes Forvm (France) and transformation and expansion costs (€ -0.3 million).

The biggest non-recurring items in 2017 were mainly the impact of the adjustment of the corporation tax rate on deferred taxes in France, Belgium and Luxembourg (€ 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).

Net financial costs rose by € 4.2 million, or 50.6%, to € 12.4 million through the private placement of bonds at the end of 2017 and the higher bank charges in Canada.

The recurring effective tax rate was 30.2%, compared with 31.3% in 2017.

Earnings per share amounted to € 1.76. This is 2.2% lower than in 2017, due to the above-mentioned non-recurring items in 2017.

FREE CASH FLOW AND NET FINANCIAL DEBT

Free cash flow amounted to € 64.7 million compared with € 59.4 million in 2017, an increase of 8.9%. The increased free cash flow was the result of a higher operational result, partly offset by higher maintenance investments because of the accelerated roll-out of laser projectors and the addition of Canada.

Free cash flow after expansion investments, dividends and purchase of own shares amounted to € -51.9 million, € 2.3 million more than the prior year due to, among others, a higher operating cash flow, but offset by the investments in the further growth of the Group.



In 2018, a total amount of € 89.0 million was invested in the acquisition of NH Bioscopen, remodelling and the further roll-out of recliner seats in Canada, the construction and furnishing of new cinema complexes in Europe and Canada, further investments in premium products (such as 4DX, Cosy Seats and the roll-out of laser projection) and maintenance investments in Europe and Canada.

Net financial debt (NFD) amounted to € 276.8 million on 31 December 2018, an increase of 23.4% compared to the end of 2017 (€ 224.3 million), mainly due to the acquisition of NH Bioscopen, the dividend payment (€ 24.5 million), the share buy-back program (€ 20.3 million) and the construction of new complexes.

The NFD/REBITDA ratio was 2.33 on 31 December 2018.

Total gross financial debt decreased by € 39.5 million to € 342.5 million on 31 December 2018 compared with 31 December 2017 (€ 382 million). Kinopolis pursues a very cautious financial policy and always finances acquisitions over the long term.

BALANCE SHEET

Fixed assets (€ 558.2 million) represented 81.98% of the balance sheet total at 31 December 2018 (€ 680.9 million). This includes land and buildings (including investment property) with a carrying amount of € 337.5 million.

Equity was € 177.6 million on 31 December 2018. Solvency was 26.1%, compared with 24.5% in 2017.

DIVIDEND OF € 0.92 PER SHARE

The Board of Directors will propose to the General Meeting of 8 May 2019 the payment of a gross dividend of € 0.92 per share for the 2018 financial year. This

represents an increase of 1.1% compared to 2017 (€ 0.91 per share). The dividend will be made available from 14 May 2019 (ex-date: 10 May 2019; record date: 13 May 2019).

IMPORTANT EVENTS AFTER THE END OF THE FISCAL YEAR 2018

Kinopolis and RealD have announced a new partnership for RealD 3D equipment and 3D eyewear in France, Belgium, the Netherlands, Switzerland, Spain and Luxembourg. Kinopolis will use RealD 3D equipment in all its cinemas to provide all its customers with the best 3D cinema experience. The agreement is part of a larger deal that also includes the Canadian Landmark Cinemas. RealD 3D offers maximum depth and clarity for an ultra-realistic cinema experience. RealD 3D eyewear is designed to be able to comfortably watch a film in 3D while reducing ghosting or image blur.

Landmark Cinemas Canada has started the **renovation of its cinema in Shawnessy, Calgary**. In addition to a conversion of the theatres to the recliner seat concept, one of the theatres will offer the Kinopolis Laser ULTRA experience.

Kinopolis will be opening a **new cinema** in the Eden commercial zone in **Servon (France)** at the end of the third quarter of 2019. The cinema is leased and will have 9 screens with 1 208 seats. The building has already been completed and will in the coming months be outfitted and finished by Kinopolis. The new complex is part of a leisure centre with facilities for bowling, kart racing, fitness and a host of food establishments. Kinopolis expects to receive 400 000 visitors per year.

The opening of a **new Landmark cinema in Regina, in the province of Saskatchewan (Canada)** is planned for the third quarter of 2019. The cinema, which will have 8 screens and a total of 887 recliner seats, will be part of the 'Aurora retail park, a new commercial centre

offering a wide variety of entertainment, catering and shopping facilities.

On 11 January 2016, the European Commission published a decision that a purported regime of Belgian **tax rulings with regard to 'Excess Profit'** should be considered as illegal state aid. The decision of the European Commission obliges the Belgian government to make an additional claim for tax that would have been owed if such tax rulings had not been applied. The Belgian tax authority has granted such a tax ruling to Kinopolis Group in 2012. As a consequence of the decision of the European Commission, and in accordance with IAS 12, Kinopolis 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 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.

The Belgian government and Kinopolis lodged an appeal against the EPR Decision with the European Court of First Instance. These appeals resulted in a judgement of 14 February 2019, by which the European Court of First Instance annulled the EPR decision. The European Commission can appeal to the European Court of Justice against the aforementioned judgement up to the end of April 2019. This provision is not suspensive. If the European Commission does not appeal, or if an appeal is rejected by the European Court of Justice, the Belgian government must refund all the amounts paid to Kinopolis.

On 21 November 2018, the Brussels Court of Appeal ruled on the **proceedings concerning the decision of the Belgian Competition Authority of 26 April 2018**. The Court annulled the decision of 26 April 2018 on the grounds of procedural reasons, judging that the College (BMA) that took the aforementioned decision of 26 April

2018 had to be composed differently from the Board that took the previously annulled decision of 31 May 2017. Kinopolis submitted an updated petition for cancellation of the conditions in 2019, and expects a new decision from the BMA by the end of March 2019.

Following approval by the Spanish competition authority, Kinopolis Group completed the acquisition of **the 'Full' cinema in Barcelona and 'El Punt Ribera' in Valencia** on 28 February 2019. Both cinemas are part of the El Punt cinema group, which is owned by the Sallent family.

The Full megaplex in Barcelona has 28 screens with a total of 2 689 seats and welcomes more than 1.3 million cinema-goers every year. The complex is leased and situated in the 'Splau' commercial centre in Cornellà de Llobregat, close to the airport and 14 km south of Barcelona. The Full cinema complex is the flagship of the El Punt group: all screens boast high-quality 4K projectors and 19 screens have Dolby Atmos sound.

The El Punt Ribera cinema is located in a commercial district in Alzira, 44 km south of Valencia. The complex, the real estate of which is owned, has 10 screens – each featuring Dolby 7.1 sound – and 2 528 seats and attracts around 300 000 visitors annually.

The building in Kamloops, Canada was put up for sale in the course of 2018. The sale is expected to be completed on 18 April 2019, for an amount of \$ 1.0 million (CAD).



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, approved a revised version of the Corporate Governance Charter on 8 May 2018. The Charter can be consulted on the Kinopolis Group 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 2018, whereby the goal is to apply the principles resulting from this charter, wherever possible, without affecting the unique character of the company. Where necessary, the necessary explanation of the deviations from the Code is given, in accordance with the 'comply or explain' principle.

The Charter was adapted in 2018 to take account of the fact that Mr Joost Bert has taken over the chairmanship of the Board of Directors and that the day-to-day management of the company is thereby carried out by a single managing director.

SHARE CAPITAL

The share capital on the 31 December 2018 amounted to € 18 952 288.41, and was represented by 27 365 197 shares without mentioning the nominal value, all of which give the same rights to holders.

On 31 December 2018, Kinopolis Group held 492 346 own shares with a capital value of € 340 983.58.

Under the authorisation 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, whereby block transactions could take place during the open periods. The aforementioned 360 000 shares were purchased in the period from 15 January 2018 up to and including 12 June 2018, for a total amount of € 20 302 894.16.

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, a limited company under the laws of Luxembourg, insofar as it or its legal successors, as well as all entities directly or indirectly controlled by (one of) them or (one of) their respective legal successors (within the meaning of Article 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 succes-

sors (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

Kinepolis 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 the Kinepolis Group nv and a small number of her subsidiaries on the one hand, and BNP Paribas Fortis Bank nv, KBC Bank nv and ING Belgium nv on the other, and as amended and renewed 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 Kinepolis Group nv.

Furthermore, under the General Terms and Conditions of the Listing and Offering Prospectus dated **17 February 2012** with regard to a **bond issue** in Belgium, and in the case of a change of control, any bond holder will have the right to oblige Kinepolis 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 Kinepolis.

The General Terms and Conditions of the Prospectus dated **12 May 2015** concerning an Unconditional Public Exchange Offer with regard to the **mentioned bonds** also provide that, in the event of a change of control (as defined in the Prospectus), each bondholder will have the right to oblige Kinepolis Group nv to repay all or a part of its bonds, under the conditions set out in

the Prospectus. This Prospectus can also be consulted on the Investor Relations website of the Kinepolis Group.

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

SHAREHOLDER STRUCTURE AND RECEIVED NOTIFICATIONS

Based on the notifications received within the framework of Article 74 of the Public Acquisition Bids Act of 1 April 2007, from Kinepolis 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 Kinepolis 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 2018:

- 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 is in turn 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;
- Kinepolis Group nv, controlled by Kinohold Bis sa, held 492 346 or 1.80% own shares;
- Mr Joost Bert, who acts in close consultation with Kinohold Bis sa and together with Pentascoop nv (a company controlled 100% by him) held 492 218 shares or 1.80% of the shares of the Company.

SHAREHOLDERS' STRUCTURE AT 31 DECEMBER 2018

SHAREHOLDER	NUMBER OF SHARES	%
Kinohold Bis	12 700 050	46.41
Mr Joost Bert	492 218	1.80
Kinepolis Group nv	492 346	1.80
Free Float, of which:	13 680 583	49.99
- Axa sa	1 367 032	4.996
- BNP Paribas Asset Management sa	1 368 974	5.00
- BlackRock Inc.	1 115 517	4.08
TOTAL	27 365 197	100%

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 ten members, four of whom can be considered as independent of the majority shareholders and the 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, the Board of Directors was supplemented

in 2018 by Ms Marleen Vaesen (bvba Mavac) and Ms Sonja Rottiers (bvba SDL Advice) who, given their complementary profile, expertise and extensive management experience, bringing an added value to the Board of Directors.

The chairmanship of the Board of Directors is held by Pentascoop nv⁽¹⁾, with Mr Joost Bert as its permanent representative, who, after a career of 20 years as CEO of the Company, preferred to continue his role within the company as chairman of the Board of Directors. Given the extensive knowledge and experience of Mr Bert in the national and international cinema sector and the role he has played in the company in recent years, the Board of Directors therefore also appointed Mr Joost Bert as chairman, being of the opinion that he is the appropriate person to assist Mr Duquenne, in his role as CEO, with the necessary support and advice, as well as assisting the Board of Directors in carrying out a high-quality dialogue with the shareholders, including the majority shareholders, and, consequently, to further contribute to sustainable value creation for the company and all its stakeholders.

The Board of Directors also appointed Mr Philip Ghekiere as vice-chairman. In this capacity, he will assist the chairman in fulfilling his mandate and take over his role in the event of unavailability.

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

The table on the next page shows the composition of the Board of Directors, as well as the attendance record of the various directors with respect to the nine meetings that took place in 2018.

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;

(1) Pentascoop nv was co-opted by the Board of Directors on 20 December 2018 following the resignation of Mr Joost Bert.



Ignace Van Doorselaere, Joost Bert, Rafaël Decaluwé, Philip Ghekiere, Annelies van Zutphen, Geert Vanderstappen, Marion De Bruyne, Sonja Rottiers, Eddy Duquenne and Marleen Vaesen

- evolution of the customer and personnel satisfaction index;
- evolution of the ongoing cinema and real estate projects;
- discussion and decision on new cinema and property opportunities;
- the integration of the new complexes;
- the up-to-date treasury situation and cash flow forecast.

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

- the discussion and establishment of the profit and investment plan for the following fiscal year;
- the evaluation and approval of expansion projects;
- the determination of the short-term and long-term strategy;
- the current and non-current financing;

COMPOSITION OF THE BOARD OF DIRECTORS

NAME	POSITION	TERM ENDS	OTHER POSITIONS AT LISTED COMPANIES	ATTENDANCE RECORD (9)
Mr Joost Bert, permanent representative of nv Pentascoop ^{(1) (2)}	Chairman	2020	/	8 meetings
Mr Philip Ghekiere ⁽²⁾	Vice-chairman	2020	/	All meetings
Mr Eddy Duquenne ⁽³⁾	CEO	2020	/	All meetings
Ms Annelies van Zutphen, permanent representative of Van Zutphen Consulting bv	Independent director	2019	/	8 meetings
Ms Sonja Rottiers, permanent representative of SDL Advice bvba ⁽⁴⁾	Independent director	2020	Leasinvest Real Estate: Director	6 meetings
Ms Marleen Vaesen, permanent representative of Mavac bvba ⁽⁴⁾	Independent director	2020	Van de Velde nv: CEO	6 meetings
Mr Ignace Van Doorselaere, permanent representative of ebvba 4F	Independent director	2019	/	7 meetings
Ms Marion Debruyne, permanent representative of bvba Marion Debruyne	Director	2019	Ackermans & Van Haaren nv: Director	All meetings
Mr Geert Vanderstappen, permanent representative of bvba Pallanza Invest	Director	2022	Smartphoto Group nv: Director	All meetings
Mr Rafaël Decaluwé, permanent representative of Gobes Comm. V.	Director	2019	Jensen Group nv: Chairman	6 meetings
Mandate ended in 2018: Ms Adrienne Axler	Independent director	2018	/	-

(1) Pentascoop nv was co-opted by the Board of Directors on 20 December 2018 following the resignation of Mr Joost Bert.

(2) Representing the major shareholders

(3) Executive director

(4) Director from 9 May 2018

- the reports of the Nomination and Remuneration Committee and the Audit Committee;
- the evaluation and establishment of the quantitative and qualitative management targets for the Executive Management;
- the primary risks to which the Company can be exposed, and the measures taken 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 2019. Additional meetings may be held if needed.

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:

- Pentascoop nv, with Mr Joost Bert (Chairman of Kinopolis Group nv) as the permanent representative;
- ebvba 4F, with Mr Ignace Van Doorselaere, the CEO of Neuhaus, as the permanent representative;
- SDL Advice bvba⁽¹⁾, with Ms Sonja Rottiers, the current CEO of Lloyd's Brussels and director of Leasinvest Real Estate, as the permanent representative;

Ms Adrienne Axler was a member of the committee until the 2018 annual meeting.

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

The Nomination and Remuneration Committee met twice on 2018 at the invitation of its chairman, whereby all members were in attendance.

The following topics were primarily discussed during these meetings:

- the evaluation of the management targets for the Executive Management and establishment of the variable remuneration for the fiscal year 2017;
- the proposal of qualitative and quantitative management targets with regard to the fiscal year 2018 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;
- the composition of the Nomination and Remuneration Committee and the Audit Committee;
- The 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, with permanent representative Mr Geert Vanderstappen, who combines a 5-year experience as a Corporate Officer at Corporate & Investment Banking at Generale Bank with 7 years of operational experience as a financial director at Smartphoto group nv, and who is currently Managing Partner at Pentahold;
- Mavac bvba, with permanent representative Ms Marleen Vaesen⁽¹⁾ who, among other things, has held the position of CEO at Greenyard, and is currently CEO of the Van de Velde group;
- SDL Advice bvba, with permanent representative Ms Sonja Rottiers⁽¹⁾, who after having held the position of CFO and CEO at Dexia Insurance and Axa Belgium, is currently the CEO of Lloyd's Brussels and director of Leasinvest Real Estate.

Gobes Comm. V. and ebvba 4F were members of the Audit committee until 28 June 2018.

(1) Since 28 June 2018

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

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

In 2018, the Audit Committee, under the chairmanship of Mr Geert Vanderstappen, met four times in the presence (or via representatives) of all members, and mainly dealt with the following items:

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

Furthermore, it is planned to organise a formal periodic performance assessment in early 2019, by means of extensive questionnaires with regard to the following subjects:

- 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 Vaesen and Ms Rottiers the board includes four ladies, being 40% of the Board of Directors, which thereby 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 the Kinopolis Group operates. These above-mentioned diversity goals were included in the selection process applied by the Nomination and Remuneration Committee and the Board of Directors when searching for potential directors and, among other things, have resulted in the Board of Directors not only having four female directors, but also being made up of directors with complementary profiles in terms of skills, knowledge and experience, including international management experience.

EXECUTIVE MANAGEMENT

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



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

The Dealing Code, approved in 2016 and updated in 2017, applies to the members of the Board of Directors, the Chief Executive Officer, persons closely related to the latter, and all other persons who might have inside knowledge. The Protocol is designed to ensure that share trading by the persons in question only occurs strictly in accordance with applicable EU and national rules, and in accordance with the guidelines issued by the Board of Directors. As the Compliance Officer, the Chief Financial Officer is responsible for monitoring compliance with the rules on insider trading, as set out in this Protocol.

A Code of Conduct has also been in force since 2013, containing the appropriate guidelines, values and standards with regard to the ethical and fitting way Kinopolis wishes to treat employees, customers, suppliers, shareholders and the general public.

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

REMUNERATION REPORT

The Kinopolis 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:

- The non-executive directors receive a fixed amount for the fulfilment of their duties as a member of the Board of Directors, 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;
- The Chairman and vice-chairman of the Board of Directors and the Chief Executive Officer are allocated a fixed annual amount for participating in the meetings of the Board of Directors;
- The non-executive directors do not receive any bonuses, participation in long-term share-based incentive 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;
- In addition to 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 optimise the short-term and long-term objectives of the Group and its shareholders. 30% of the variable remuneration is linked to the attainment of the qualitative 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, among other things, will take account of a minimum number of actual meetings of the Board of Directors and its committees.

The aforementioned global allowance is granted as follows:

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

The Board of Directors determines the remuneration as well as the remuneration policy of the **Executive Management** based on the proposal of the Nomination and Remuneration Committee, with due consideration 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 are 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, the General Meeting approved, on 11 May 2016, the proposal to base the integral annual variable remuneration of the CEO 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.

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

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

REMUNERATION OF THE BOARD OF DIRECTORS

NAME	TITLE	REMUNERATION 2018 (IN €)
Mr Joost Bert, permanent representative of nv Pentascoop ⁽¹⁾	Chairman	378 776
Mr Philip Ghekiere	Vice-chairman	100 000
Mr Eddy Duquenne ⁽²⁾	CEO	30 000
Ms Annelies van Zutphen, permanent representative of Van Zutphen Consulting bv	Independent director	32 500
Ms Sonja Rottiers, permanent representative of SDL Advice bvba	Independent director	41 500
Ms Marleen Vaesen, permanent representative of Mavac bvba	Independent director	38 500
Mr Ignace Van Doorselaere, permanent representative of ebvba 4F	Independent director	41 500
Ms Marion Debruyne, permanent representative of bvba Marion Debruyne	Director	32 500
Mr Geert Vanderstappen, permanent representative of bvba Pallanza Invest	Director	48 250
Mr Rafaël Decaluwé, permanent representative of Gobes Comm. V.	Director	38 500
TOTAL		782 026

(1) The remuneration for the chairmanship since 10 May 2018

(2) Executive director

APPLICATION OF THE REMUNERATION POLICY TO THE 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.

In setting the targets for the fiscal year 2018, 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. The assessment of the realisation takes into account the evolution of the recurring EBITDA versus the targets set by the Board of Directors. If the recurring EBITDA achieved for the relevant 2018 year is thereby within the set targets, a pro rata amount between 0 and 100% of the variable remuneration is linked to the achievement of the quantitative targets. The **qualitative objectives** are related to the further growth and development of the company, based on an update of the Group's strategy and a refined commercial and marketing strategy for greenfields, as well as to the further integration of Landmark Cinemas Canada and the optimisation of the various management tools. The achievement of the objectives will be evaluated on the basis of the progress made per specific objective.

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 2019 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 2018, the Board of Directors, assisted by the Nomination and Remuneration Committee, evaluated the objectives to be achieved in the 2017 financial year

and established that the proposed milestones were achieved, or that sufficient concrete progress had at least been made with regard to the qualitative objectives. With regard to the quantitative objectives, the Board of Directors decided that the objectives realised with regard to ratio improvement on the one hand, and the important contribution to the implementation of the expansion strategy with the acquisitions of Landmark and NH Cinemas on the other, were so important that despite the fact that the recurring EBITDA realised was not fully within the range that had been set, it was nevertheless decided to grant the variable remuneration linked to the qualitative and quantitative objectives and, consequently, an amount of 400 000 euro was paid out to Mr Eddy Duquenne, and 220 000 euro to Mr Joost Bert.

Taking into account the benchmark data resulting from external surveys, as well as from other similar listed companies, and in view of the increased duties and responsibilities of the CEO as a result of the geographic and quantitative expansion of the Group as well as the results on value creation put down by the CEO in recent years, the Board of Directors decided, following advice from the Nomination and Remuneration Committee, to adjust the remuneration package of the bvba Eddy Duquenne, which has not been adjusted since 2015, as follows from 1 January 2018:

- Increase of the fixed remuneration by 175 000 euro
- Increase of the variable remuneration by 85 000 euro

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

On the next page you'll find 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 2018** (excluding VAT). The description of the long-term incentives can be found in the overview.

BVBA EDDY DUQUENNE	
fixed remuneration ⁽¹⁾	€ 725 242
variable remuneration ⁽²⁾	€ 400 000
expense remuneration	€ 9 000
TOTAL	€ 1 134 242

DHR. JOOST BERT	
(in his capacity as CEO up to and including 9 May 2018)	
fixed remuneration	€ 128 997
variable remuneration ⁽²⁾	€ 220 000
pension plan ⁽³⁾	€ 3 670
TOTAL	€ 352 667

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 to thereby bring their interests into line with the long-term 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. In implementation of the aforementioned plan, 45 000 stock options were granted to Mr Ghekiere in 2017 and 90 000 and 45 000 options to Messrs Duquenne and Bert, respectively.

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

FISCAL YEARS 2019-2020

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 Organisations 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 compliance and regulatory risks in order to ensure the achievement of the corporate objectives.

The 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 uniformly applied as far as possible in the various parts of the organisation and its 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

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

The responsibilities regarding 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 the 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 not only responsible for the proper introduction and application of the risk management processes within the scope of his or her job, but also has a duty to monitor its proper implementation by his or her direct reports (who may, in turn, be managers).

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

(1) Other than received as a member of the Board of Directors

(2) Received in 2018 for performances in 2017

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



MarketPlace Landmark Cinemas, Kanata (CA)

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 thereby permanently subject to change.

INTERNAL CONTROL ENVIRONMENT

An appropriate internal environment is a precondition of being able to effectively apply other risk management components. With this in mind, the Kinopolis Group highly values integrity and ethical action. Alongside the existing legal framework, the Kinopolis Group endeavours to encourage and enforce this type of behaviour 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 organisational structure. Kinopolis has a clear and uniform organisational structure, which fits the various countries and business processes. The organisational structure, the determination of the various objectives, management of the budget and the remuneration process are also aligned to each other.

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

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 endeavours to standardise the process as much as possible. This is achieved by organising corporate ERM training courses, 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.

INFORMATION AND COMMUNICATION

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

MONITORING

In addition to the monitoring activities by the Board of Directors (including the Audit Committee) as stipulated in legal provisions, the Corporate Governance Code 2009 and the Corporate Governance Charter, Kinopolis primarily relies on the following monitoring activities:

- **Business Controlling:** The Management, supported by the Business Controlling department, analyses 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 will be reviewed on a regular basis by the Internal Audit department with regard to internal rules and best practices. Possible improvements will be discussed with the Management, and result in the implementation of concrete action points that further tighten 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, and this assessment is subsequently analysed and approved by the Board of Directors. As in previous years, this took place again in 2018 on the basis of a written survey of the participants, in order to gain both quantitative and qualitative results, enabling risks to be assessed in order of scale. Although this way of working enables Kinopolis to distinguish important risks from less important risks in a well-founded way, it remains an estimation that, inherent to the definition of risk, provides no guarantee whatsoever of the actual occurrence of risk events. The following list (in random order) therefore contains only some of the risks to which Kinopolis is exposed.

AVAILABILITY AND QUALITY OF SUPPLIED CONTENT

Bearing in mind that Kinopolis Group 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. The Kinopolis Group endeavours to protect itself wherever possible by maintaining good long-term relations with the major distributors or producers, by pursuing a content diversification policy to some extent, and by playing a role as distributor in Belgium. The investments in Tax Shelter projects should also be viewed in this light.



Kinopolis Lomme (FR)

SEASONAL EFFECTS

The operating revenues of Kinopolis 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 endeavours to mitigate the consequences, among other things, by varying 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 substitutions exist. Kinopolis Group's position is impacted by increasing competition from other leisure activities, such as concerts and sporting events, that can influence the behaviour of Kinopolis customers. This competition also 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 between the first screening of a movie in the cinema and its availability through other channels that is ordinarily observed by the distributors, as well as the constant technical improvement in the quality of these alternative ways of watching movies. In addition to these legal alternatives, the cinema industry also has to deal with illegal downloads. Kinopolis is working actively together with distributors to agree measures to counter any increasing illegal sharing of material online.

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

ECONOMIC SITUATION

Changes to the general, global or regional economic situation or the economic situation in areas where Kinopolis Group is active and that can impact consumer behaviour and the production of new movies can have a negative impact on the operating profits of the Kinopolis Group. Kinopolis endeavours 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). In addition, 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. The 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

The 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 the 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 run-down of existing complexes.

TECHNOLOGICAL RISKS

Cinema has become a highly computerised and automated sector, in which the correct technological choices and optimal functioning of projection systems, sales systems and other ICT systems are critical in order to be able to offer optimal service to the customer. The Kinopolis Group tries to manage these risks by closely following the latest technological developments, regularly analysing system architecture and, where necessary, optimising 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 improves its policies where necessary. Furthermore, Kinopolis also attaches great importance to the health of its employees and endeavours to create a risk-free work environment that does no harm to anyone. To this end, and in addition to compliance with the legal obligations regarding safety and prevention, it has taken a number of further measures, such as the organisation of preventive examinations by the company doctor, the organisation of evacuation exercises, prevention training, etc.

CUSTOMER RISKS

Customer experience is key at Kinopolis Group, which is why Kinopolis places the greatest importance on the management of the risks that could have a negative impact on the customer experience in all aspects of the Kinopolis 'customer journey'. In the first place, Kinopolis is concerned about the physical integrity of its customers, and therefore ensures that the health and safety risks for its customers are reduced to a minimum when they are in the complexes. This includes many aspects, ranging from user-friendly buildings and installations to user-friendly products (e.g. compliance with HCCP standards, noise levels in the cinemas) up to preventing a feeling of insecurity through an adapted surveillance policy. In addition, in line with its best marketer strategy, Kinopolis Group also respects the privacy and data integrity of its customers. Last but not least, Kinopolis

tries to respond to any questions or inconveniences as quickly as possible, by offering its clients timely and adequate services so that potential complaints or disputes can be prevented or resolved as quickly as possible. Poor management of the aforementioned risks would lead to a decline in customer satisfaction, damage to its reputation and, ultimately, to a fall in visitor numbers. Furthermore, the likelihood of disputes and/or administrative fines would also increase considerably.

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 minimise 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

Following the annulment by the Marktenhof of the decisions of the Belgian Competition Authority (BMA) of 31 May 2017 and 26 April 2018 for the relaxation of the conditions of conduct imposed on Kinopolis Group in 1997 by the Competition Council, Kinopolis Group nv has submitted an updated request that the aforementioned behavioural conditions should be abolished. A new decision from the BMA is expected at the end of March 2019.

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, and in accordance with IAS 12, Kinopolis has set up a provision of € 9.4 million for a potential additional claim for tax on the excess profit that was not included in the taxable base due to the ruling. The amount fully covers the potential liability, including interest charges. On 1 July 2016, the 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 making any harmful admission. If the appeal of Kinopolis Group is successful, all paid amounts will be refunded to Kinopolis. On 14 February 2019, the Court of the European Court of Justice annulled the aforementioned decision of the European Commission. The European Commission has two months in which to appeal.

USE OF FINANCIAL INSTRUMENTS

The 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 regulations. It is Group policy not to undertake any trading positions in derivative financial instruments.

Kinopolis manages its debts by combining short-, medium- and long-term borrowings. The mix of debts with fixed and floating interest rates is established at Group level. At the end of December 2018, the Group's net financial debt was € 276.8 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

The Kinopolis Group complies with the principles of the Belgian Corporate Governance Code.

In line with the 'comply or explain' principle, and in addition to the circumstances already described above, the Company decided that it is in the interest of the company and its shareholders to deviate from Provision 4.6. of the Code, and the professional qualifications and functions of the directors to be reappointed were not included in the invitation to the General Meeting of 9 May 2018, as the corresponding qualifications were sufficiently known via press releases and annual reports.

Other information

RESEARCH AND DEVELOPMENT

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

In 2018, Kinopolis continued to invest in the innovation of its shop infrastructure and interior concepts.



Kinopolis Rouen (FR)



Kinopolis Lomme (FR)

CONFLICT OF INTERESTS POLICY

On 21 March and 20 December 2018, the following decisions were taken by the Board of Directors, pursuant to Article 523 of the Companies Code:

- the evaluation of the 2017 management objectives for the Executive Management;
- the granting of the resulting variable remuneration to an amount of € 400 000 to Mr Eddy Duquenne and € 220 000 to Mr Joost Bert;
- the establishment of the management targets for the fiscal year 2018;
- the determination of the directors' fees for Mr Joost Bert and Mr Philip Ghekiere for the financial year 2018 and following;
- the determination of the remuneration of Mr Eddy Duquenne.

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, the operating profits, the current and expected cash flows and the expansion plans.

It is proposed to pay out a gross amount of € 0.92 per share for the financial year 2018. Subject to the approval of the General Meeting, the Board of Directors decided to make the dividend available to shareholders on 14 May 2019 (ex-date: 10 May 2019; record date: 13 May 2019) at a financial institute chosen by the shareholder.



Eddy Duquenne, CEO Kinepolis Group

Statement regarding the information incorporated in this annual report

The undersigned certifies that, to his 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 to which they are exposed.

19 March 2019

Eddy Duquenne
CEO Kinepolis Group



EURONEXT

20TH LISTING
ANNIVERSARY



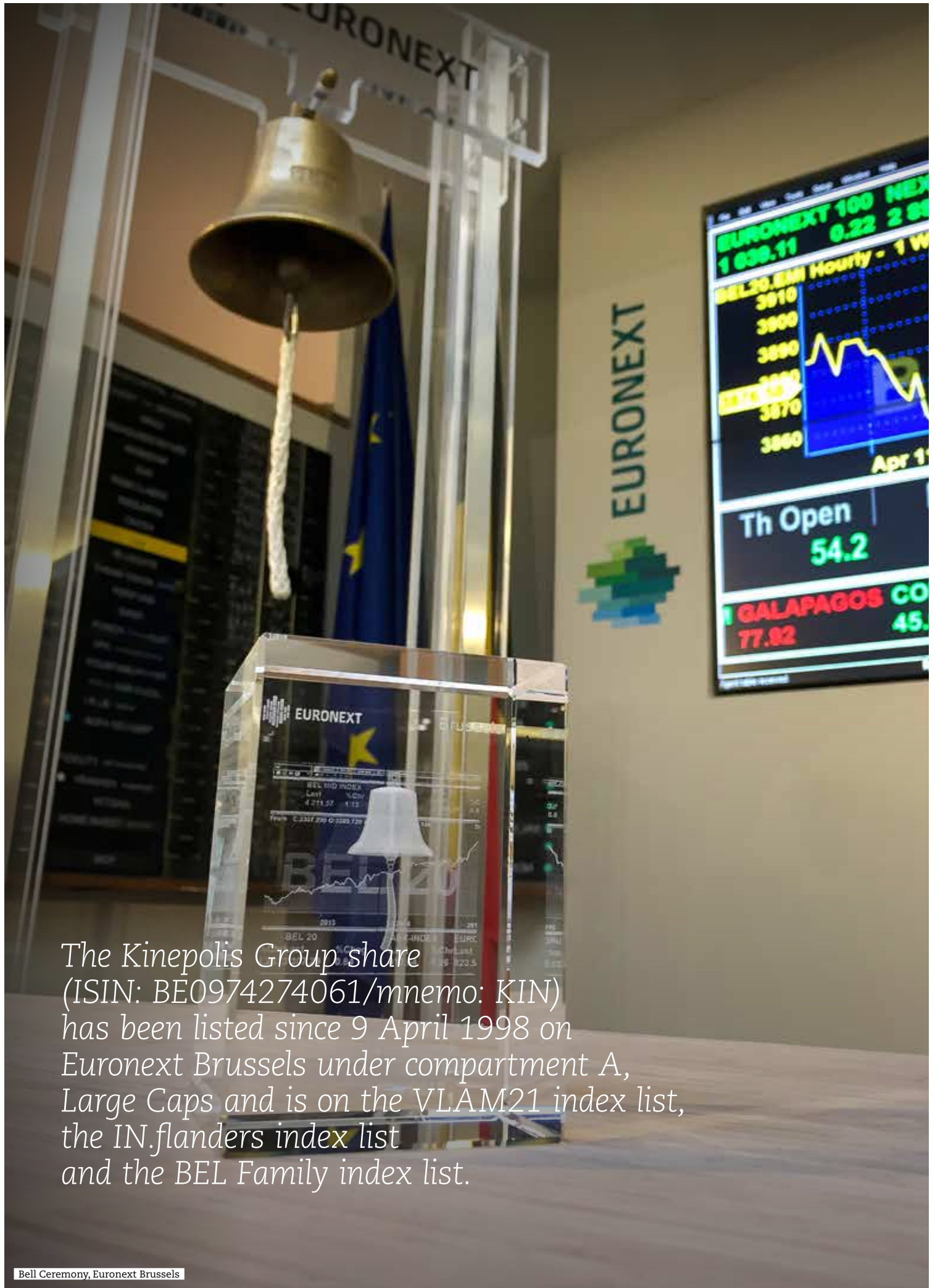
Kinepolis Group, 20th listing anniversary, Euronext Brussels



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SHARE INFORMATION





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

NUMBER OF SHARES

	2014 ⁽³⁾	2015	2016	2017	2018
Number of shares at 31 December	27 365 197	27 365 197	27 365 197	27 365 197	27 365 197
Weighted average number of ordinary shares ⁽¹⁾	26 288 260	26 782 831	27 214 153	27 232 851	26 936 217
Weighted average number of diluted ordinary shares ⁽²⁾	27 341 842	27 138 627	27 249 350	27 268 051	27 010 648

SHARE TRADING

	2014 ⁽³⁾	2015	2016	2017	2018
Closing price at 31 December (in €)	33.46	41.40	42.50	55.66	48.80
Market value at closing price (in '000 €)	915 639	1 132 919	1 163 021	1 523 147	1 335 422
Lowest price of the year (in €)	22.9	32.9	35.2	42.1	42.6
Highest price of the year (in €)	34.3	41.6	42.7	61.3	61.4
Traded year volume	4 719 540	7 590 604	3 484 211	3 891 319	4 590 753
Average traded day volume	18 430	29 651	13 557	15 260	18 059

Source: Euronext.com

BELL CEREMONY KINEPOLIS GROUP 20 YEARS AS A LISTED COMPANY

To mark the 20th anniversary of its stock market listing, the Kinopolis Group was invited 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.

This event was shared on social media and a video of the 'Bell Ceremony' and the associated photos can be found on the websites www.bourse.be, www.beurs.be and www.euronext.com.

SHARE PRICE AND VOLUME OVER THE LAST 10 YEARS⁽⁴⁾



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



- (1) Weighted average number of ordinary shares: average number of outstanding shares – average number of treasury shares.
 (2) Weighted average number of diluted ordinary shares: average of number of outstanding shares – average number of treasury shares + number of possible new shares that must be issued under the existing share option plans x dilution effect of the share option plans.
 (3) On 1 July 2014, each Kinopolis share was split into five new shares. The first six months of 2014 were calculated in that sense.
 (4) As a consequence of the share split on 1 July 2014, the historical share price has been recalculated (price divided by five).



Kinepolis Rouen (FR)



06

FINANCIAL REPORT



Consolidated income statement

at 31 December

IN '000 €	NOTE	2017	2018
Revenue	3	355 427	475 880
Cost of sales	6	-242 032	-345 651
Gross profit		113 395	130 229
Marketing and selling expenses	6	-20 418	-25 246
Administrative expenses	6	-22 794	-26 900
Other operating income	4	3 045	1 904
Other operating expenses	4	-313	-857
Operating profit		72 915	79 130
Finance income	7	1 891	1 362
Finance expenses	7	-10 104	-13 733
Profit before tax		64 702	66 759
Income tax expenses	8	-15 635	-19 350
PROFIT OF THE PERIOD		49 067	47 409
Attributable to:			
Owners of the Company		49 067	47 356
Non-controlling interests			53
PROFIT OF THE PERIOD		49 067	47 409
Basic earnings per share (€)	19	1.80	1.76
Diluted earnings per share (€)	19	1.80	1.75

Consolidated statement of profit or loss and other comprehensive income

at 31 December

IN '000 €	NOTE	2017	2018
Profit of the period		49 067	47 409
Realised results		49 067	47 409
Items that are or may be reclassified to profit or loss:			
Translation differences		-210	-3 416
Cash flow hedges – effective portion of changes in fair value		119	2
Taxes on other comprehensive income		-27	531
		-118	-2 883
Items that will not be reclassified to profit or loss:			
Changes to estimates of defined benefit plans	5	-50	5
		-50	5
Other comprehensive income for the period, net of tax		-168	-2 878
TOTAL COMPREHENSIVE INCOME OF THE PERIOD		48 899	44 531
Attributable to:			
Owners of the Company		48 899	44 478
Non-controlling interests			53
TOTAL COMPREHENSIVE INCOME OF THE PERIOD		48 899	44 531

The notes on p. 104-165 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

at 31 December

ASSETS

IN '000 €	NOTE	2017	2018
Intangible assets	9	9 049	9 663
Goodwill	10	86 393	94 863
Property, plant and equipment	11	389 999	424 339
Investment property	12	17 748	17 045
Deferred tax assets	13	1 182	1 427
Other receivables	15	10 120	10 786
Other financial assets		27	27
Non-current assets		514 518	558 150
Inventories	14	4 750	4 918
Trade and other receivables	15	40 778	42 998
Current tax assets	24	841	2 416
Cash and cash equivalents	16	157 398	65 381
Assets classified as held for sale	17	2 670	6 991
Current assets		206 437	122 704
TOTAL ASSETS		720 955	680 854

EQUITY AND LIABILITIES

IN '000 €	NOTE	2017	2018
Share capital	18	18 952	18 952
Share premium	18	1 154	1 154
Consolidated reserves		157 569	161 461
Translation reserve	18	-1 281	-4 164
Total equity attributable to owners of the Company		176 394	177 403
Non-controlling interests	18		214
Equity		176 394	177 617
Loans and borrowings	21	342 106	272 677
Provisions for employee benefits	5	572	557
Provisions	22	17 118	14 565
Deferred tax liabilities	13	18 159	20 518
Derivative financial instruments		214	211
Other payables	23	7 954	10 977
Non-current liabilities		386 123	319 505
Bank overdrafts	16	33	36
Loans and borrowings	21	39 873	69 790
Trade and other payables	23	108 298	106 328
Provisions	22	2 509	2 241
Current tax liabilities	24	7 725	5 337
Current liabilities		158 438	183 732
TOTAL EQUITY AND LIABILITIES		720 955	680 854

Consolidated statement of cash flow

at 31 December

IN '000 €	NOTE	2017	2018
Profit before tax		64 702	66 759
Adjustment for:			
Depreciations and amortisation	6	31 039	39 039
Provisions and impairments	15, 22	-1 265	-2 865
Government grants	4	-949	-1 121
(Gains) Losses on sale of fixed assets	4	-1 810	261
Change in fair value of derivative financial instruments and unrealised foreign exchange results		-56	-51
Changes in fair value of contingent considerations	10	-642	-428
Unwinding of non-current receivables	7, 22	391	-364
Share-based payments	5	1 290	1 075
Amortisation of refinancing transaction costs		315	364
Interest expenses and income	7	7 449	10 359
Change in inventory		1 332	-54
Change in trade and other receivables		1 681	-817
Change in trade and other payables		-2 042	1 203
Cash from operating activities		101 435	113 360
Income taxes paid		-24 149	-22 382
Net cash from operating activities		77 286	90 978
Acquisition of intangible assets	9	-1 908	-2 872
Acquisition of property, plant and equipment and investment property	11, 12	-30 861	-58 332
Acquisition of subsidiaries, net of acquired cash	10	-83 506	-27 493
Proceeds from sale of investment property and intangible and tangible assets	9, 11, 12	15 787	501
Net cash used in investing activities		-100 488	-88 196
Acquisition / sale of non-controlling interests	18		453
New loans and borrowings	21	174 850	
Repayment of loans and borrowings	21	-7 011	-39 876
Payment of transaction costs with regard to refinancing obligations	25	-450	
Interest paid	7, 21	-7 327	-10 302
Interest received		7	15
Repurchase and sale of own shares	18		-20 303
Dividends paid	18	-23 691	-24 533
Net cash – used in / + from financing activities		136 378	-94 546
+ INCREASE / - DECREASE IN CASH AND CASH EQUIVALENTS		113 176	-91 764
Cash and cash equivalents at beginning of the period	16	44 210	157 365
Cash and cash equivalents at end of the period	16	157 365	65 345
Effect of movement in exchange rate fluctuations on cash and cash equivalents		-21	-256
+ INCREASE / - DECREASE IN CASH AND CASH EQUIVALENTS		113 176	-91 764

The notes on p. 104-165 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

at 31 December

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

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

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

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

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

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 of the period						49 067	49 067
Realised results						49 067	49 067
Items that are or may be reclassified to profit or loss:							
Translation differences		-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 of the period, net of tax		-210	92			-50	-168
Total comprehensive income		-210	92			49 017	48 899
Dividends						-23 693	-23 693
Transfer from / to reserves				1 200		-1 200	
Share-based payment transactions ⁽²⁾					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 20.

The explanations on p. 104-165 are an integral part of these consolidated financial statements.

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1. Significant accounting policies

The Kinopolis Group nv (the 'Company') is a company established in Belgium. The consolidated financial statements of the Company for the year ending 31 December 2018 include the Company and its subsidiaries (together the 'Group'). These consolidated financial statements were approved for publication by the Board of Directors on 19 March 2019.

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 2018.

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 recognised at fair value in other comprehensive income 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 have, however, been adjusted to reflect IFRS 15 and IFRS 9.

A number of new standards and amendments to existing standards that became applicable to the preparation of the consolidated annual accounts on 01 January 2018 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 the management to make judgements, estimates and assumptions that influence the application of the policies and the reported amounts of assets and liabilities, income and expenses.

The estimates and related assumptions are based on past experience and on various other factors that are considered reasonable in the given circumstances. The outcomes of these form the basis for the judgement as to the carrying amount of assets and liabilities when this is not

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

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

- Determining the useful life of intangible assets and property, plant and equipment, with the exception of goodwill (see the 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);
- Determining the fair value of the contingent considerations within the framework of business combinations (see notes 10 and 25).

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 recognised 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 judgements that most impact the amount of the provisions are the estimated costs and the

expected likelihood and timing of the cash outflows. They are based on the most recent available information at 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 THE 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 an advantageous purchase is recognised immediately in profit or loss. Transaction costs are expensed as incurred.

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

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

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

SUBSIDIARIES

Subsidiaries are those entities over which the Company exercises control. By control, it 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 recognised in the consolidated financial statements from the date that control commences until the date that control ceases.

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

If the Group no longer has control over a subsidiary, all assets and liabilities of the subsidiary, any non-controlling interests and other equity components with regard to the subsidiary are de-recognised, and the ensuing gains or losses are recognised 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 recognised at fair value on the date of loss of control, after which it will be recognised as an associated company or as a financial asset recognised at fair value, depending on the level of control retained.

EQUITY ACCOUNTED INVESTEEES

Equity accounted investees are entities over which the Group exercises significant influence, 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 recognised at cost. The transaction costs are included in the cost price of the investment. The consolidated financial statements include the Group's share in the comprehensive income of the investments, which is recorded following the equity method, from the 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 recognised, except to the extent that the Group has an obligation on behalf of the investees. When there are impairment indicators, the accounting policy concerning impairment losses is applied.

ACQUISITION OF NON-CONTROLLING INTERESTS

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

TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances and transactions, along with any unrealised gains and losses on transactions within the Group or gains or losses from such transactions, are eliminated in the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated proportionally to the Group's interest in the investee.

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

FOREIGN CURRENCY

TRANSACTIONS IN FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the relevant functional currency of the Group entities at the exchange rate on the transaction date. Monetary assets and liabilities expressed on the balance sheet date in foreign currencies are translated to Euro at the exchange rate on the balance sheet date. Non-monetary assets and liabilities expressed in foreign currency are translated at the exchange rate on the transaction date. Non-monetary assets and liabilities in foreign currencies recognised 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 recognised in the income statement, with the exception of exchange rate differences with regard to instruments which are recognised at fair value in other comprehensive income. Advance payments in foreign currencies are converted at the exchange rate on the transaction date specified in IFRIC 22. This change to IFRIC 22 has been applicable since 1 January 2018 and has no significant impact on the consolidated financial statements of the Group.

FINANCIAL STATEMENTS IN FOREIGN CURRENCIES

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

The exchange differences arising from the conversion are recognised directly in equity. Translation differences arising from the revaluation of long-term loans in Poland, Switzerland and Canada are also recognised in equity in other comprehensive income, as they are part of a net investment hedge of the participating interests in the same subsidiaries. Repayments of these long-term loans are also accounted for through other comprehensive income.

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 recognised in other comprehensive income under the translation reserve.

FINANCIAL INSTRUMENTS

Issued loans, receivables and deposits, issued debt instruments and loans received are initially recognised by the Group on the date they originated. All other financial assets and liabilities are initially recognised on the transaction date. The transaction date is the date on which the contractual provisions of the instrument become binding for the Group. Following the application of IFRS 9, certain accounting policies for financial instruments have been adapted. IFRS 9 has 3 classifications for financial assets: valuation at amortised cost, valuation at fair value through other comprehensive income in equity and valuation at fair value through the income statement. This new classification is based on the 'business model' in which the financial assets are managed, and on the contractual cash flows that result from these financial assets.

The application of IFRS 9 is not expected to have any material impact on the consolidated financial statements of the Group. For more information, we refer to the 'impact of new standards'.

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

Cash and cash equivalents

Cash and cash equivalents comprise the cash and deposits that can be withdrawn 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 recognised at fair value in other comprehensive income – 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 financial assets are recognised at fair value in other comprehensive income 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 recognised at fair value in other comprehensive income and which is not hedged are taken directly into equity. When the investment is sold, received or otherwise transferred, the accumulated profit or loss previously included in equity is not transferred to the income statement. When repayments from the financial assets take place, or when the bookvalue of the participation is depreciated as a result of an impairment, the accumulated profit or loss previously included in equity is not transferred to the income statement.

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 if applicable.

SHARE CAPITAL

Ordinary shares are classified as equity. Additional costs that 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 re-acquired by the Company, the amount paid, including directly attributable costs, is viewed as a change in equity. Purchase of treasury shares is recognised as a deduction from equity. The profit or loss pursuant to the sale or cancellation of treasury shares is directly recognised in equity.

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

DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to manage the exchange rate and interest risks deriving from operational, financial and investment activities. Under its treasury management policy, the Group does not use derivative financial instruments for trading purposes.

Derivative financial instruments that do not meet the requirements of hedge accounting are, however, accounted for in the same way as derivatives held for trading purposes.

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

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

HEDGING

Cash flow hedges

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

At the initial 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 has still not taken place, the cumulative gains or losses remain in equity and will be recognised in accordance with the above policies once the transaction takes place.

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

Fair value hedges

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

PROPERTY, PLANT AND EQUIPMENT

OWNED ASSETS

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairments (see below). The cost of self-constructed assets includes the cost price of the materials, direct employee benefit expenses 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 recognised within other operating income and expenses in the income statement.

TANGIBLE FIXED ASSETS HELD ON THE BASIS OF LEASE AGREEMENTS

Leases that transfer nearly all the risks and rewards of ownership of an asset to the Group 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, unless 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.

AMORTISATION

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 amortisation 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 as follows:

- buildings: 30 years
- building 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.

A recent change to IAS 40 requires real estate to be transferred to or from investment property whenever there is an actual change in use. A change in management intention alone does not support a transfer. This change to IAS 40 has been applicable since 1 January 2018

and has no significant impact on the consolidated financial statements of the Group.

INTANGIBLE ASSETS AND GOODWILL

GOODWILL

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 recognised in the income statement.

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

INTANGIBLE ASSETS

Intangible assets acquired by the Group are measured at cost less accumulated amortisation and impairment losses (see below). Costs of internally generated goodwill and brands are recognised in the income statement as incurred. Intangible assets with indefinite useful lives are not amortised, but 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 capitalised whenever the development costs can be reliably determined, the product or process is technically and commercially feasible, the future economic benefits are probable, and the Group intends and has sufficient resources to complete the development and to actively use or sell it. The cost of internally generated intangible assets includes all costs directly attributable to 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 capitalised only when it increases the future economic benefits specific to the related asset. All other expenditure is expensed as incurred.

AMORTISATION

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

INVENTORIES

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

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

IMPAIRMENT LOSSES

The determination and recognition of impairments has been revised for financial assets following the application of IFRS 9 on 1 January 2018. IFRS 9 replaces the model based on 'incurred losses' under IAS 39 by a model based on 'expected credit losses'. This requires considerable judgement regarding the impact of changes to economic factors in 'expected credit losses'. For more information regarding the impact on the Group, we refer to the 'impact of new standards'.

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. If there is an indication of impairment, the recoverable amount of the asset is estimated. In case of goodwill and intangible assets with an indefinite useful life or which are not yet ready for their intended use, the recoverable amount is estimated at the same date each year. An impairment loss is recorded whenever the carrying amount of an asset, or the cash generating unit to which the asset belongs, is higher than the recoverable amount.

The recoverable amount is the higher of the value in use or the fair value less costs to sell. When determining the value in use, the discounted value of the estimated future

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

Impairment losses are 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

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.
- 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.

FINANCIAL ASSETS MEASURED AT AMORTISED COST

Significant financial assets measured at amortised cost are tested individually for impairment. The other financial assets measured at amortised 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 amortised 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 recognised in the income statement.

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

FINANCIAL ASSETS RECOGNISED AT FAIR VALUE IN COMPREHENSIVE INCOME AND OTHER COMPREHENSIVE INCOME

Impairments on financial assets recognised at fair value in other comprehensive income are recognised 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 recognised 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 recognised 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 re-valued 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 depreci-

ated 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 recognised in the income statement.

EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

Short-term employment benefit obligations include wages, salaries and social security contributions, holiday pay, continued payment of wage in the event of illness, bonuses and 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 recognised in the income statement is based on an estimation at the balance sheet date.

POST EMPLOYMENT BENEFITS

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

DEFINED CONTRIBUTION PLANS

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

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

The liability recognised 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 mathematical 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 recognised 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 recognised 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 recognised directly in profit or loss. The Group justifies profit or loss on the settlement of a defined contribution plan at the time of that settlement.

SHARE-BASED PAYMENTS AND RELATED BENEFITS

The stock option plan enables Group employees to acquire shares of the Company. The option exercise price is equal to the average of the closing price of the underlying shares over the thirty days prior to the date of offer. No compensation costs or liabilities are recognised.

Share transactions with employees are charged to the income statement over the vesting period based on the fair value on the date of offering with a corresponding increase in equity. The fair value is determined using an option valuation model. The amount expensed is determined 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 de-recognised by applying the FIFO-principle on 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 recognised 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 recognises the restructuring expenses. If benefits are payable more than twelve months after the reporting date, they are then discounted to their present value.

PROVISIONS

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

RESTRUCTURING

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

SITE RESTORATION

In accordance with the 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 recognises any impairment loss on the assets relating to the contract. For more information, we refer to notes 10 and 22.

REVENUE

SALES OF GOODS AND SERVICES

The Group applies the 5-step model to include revenue in the income statement. When selling goods or services, the Group will recognise the proceeds of the amount to which the Group expects to be entitled in exchange for those

goods or services. In order to apply this principle, the Group must go through the following steps:

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

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

- Box office is the result of the sale of cinema tickets (and 3D glasses). Box office sales are recognised as revenue on the date of showing of the film they relate to;
- In-theatre sales (ITS) include all revenue from the sale of beverages, snacks and merchandising in the complexes. In-theatre sales are recognised as revenue at the checkout;
- Revenue from the advance sale of tickets or other prepaid gift vouchers are recognised in current loans and borrowings, and are recognised in the income statement when the ticket holder uses the ticket.
- Gift vouchers that have not been exercised ('breakage fees') are included in the revenue, taking into account the expected non-redemption, and no later than the expiry date of the gift vouchers;
- Turnover arising from exchange deals is recognised in the revenue on the moment the service has been delivered;
- Events (business to business) are recognised as revenue as soon as the event is held. If the event takes place over a longer period of time, the revenue is recognised on a straight line basis over the duration of the event;
- Revenue generated from screen advertising is recognised spread over the period in which the advertising is shown;
- Turnover resulting from promotions (business-to-customer) is recognised in the income statement when the promotion takes place;
- The theatrical revenue from film distribution will be recognised over the term of the film when the number of visitors is known. The proceeds from 'after theatrical rights' are recognised when the rights have been transferred and the content is available to the licensee. Whereas the Group does not act as an agent in respect of the proceeds from the theatrical and after theatrical rights, these proceeds are not offset by the related costs.

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

The Group has applied IFRS 15 as from 1 January 2018, and has adjusted the valuation rules for the sale of certain services in this context. The application of IFRS 15 has no significant impact on the consolidated financial statements of the Group, and is further explained in the 'Impact of new standards' section.

RENTAL INCOME

Rental income is recognised 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 balance sheet and are initially recognised at fair value whenever a reasonable certainty exists that they will be received and that the Group will comply the conditions associated with them. Grants that compensate incurred costs are systematically recognised in the income statement in the same period as the costs are incurred. Grants that compensate costs incurred in respect of assets are systematically recognised in the income statement over the useful life of the assets.

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 recognised in the income statement.

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

Foreign exchange gains and losses are 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 recognised 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 recognised 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 recognised in the income statement.

Interest charges are recognised based on the effective interest method.

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

Foreign exchange gains and losses are compensated per currency.

INCOME TAX EXPENSE

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

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 to prior years. The amount of current income tax is determined on the basis of the best estimate of the tax gain or expense, with due consideration for any uncertainty with regard to income tax. For the Belgian Excess Profit Ruling (EPR), we refer to note 30.

Additional income tax resulting from issuing dividends is 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 with regard to the realisation of the carrying value of the assets and liabilities, whereby use of made of the tax rates in effect, or of the tax rates under which the enactment has been substantively completed at the balance sheet date.

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

The deferred and current tax receivables and liabilities are offset per tax jurisdiction insofar as there is a de jure enforceable right to balance the amounts recognised and an intention to settle the liability on a net basis, or to realise 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 organised geographically. The different countries constitute operating segments, in accordance with the internal reporting to the CEO and CFO of the Group.

DISCONTINUED OPERATIONS

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

NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2018, and have not been applied in preparing these consolidated financial statements:

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 recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The new standard provides optional exemptions in the case of leases with a leasing period of 12 months or less, and for leases for which the underlying asset has a limited value. The standard retains approximately all provisions from IAS 17 lease agreements with regard to the processing of lease agreements by the lessor. This means that lessors must classify the lease agreements as operational or financial lease agreements based on their nature. For lessors, there is little change to the existing accounting in IAS 17 – Leases.

The standard replaces 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 are applying IFRS 15 – Revenue from contracts with customers at that moment. This new standard has been endorsed by the EU.

When applying the standard, the Group, as lessee, can choose between a fully retrospective approach or a modified retrospective approach with optional practical expedients. The choice must be applied consistently to all its lease agreements. The Group will apply IFRS 16 from 1 January 2019, and has chosen to apply the modified retrospective approach with optional practical expedients on the transition date.

The new requirement to recognise a right-of-use and a related lease liability is expected to have a significant impact on the amounts recognised in the Group' consolidated financial statements. The most significant impact identified is that the Group has to create a new category under assets and liabilities for its operating leases of buildings, projectors, cars, containers and safes. The assets will be recognised on a separate line in the balance sheet (right-of-use assets). The lease period considered in the calculation of the lease liability on the transition date has been determined based on the underlying lease contracts, taking into account extension options for which it is reasonably certain that these will be exercised.

In addition, it will change the nature of the costs linked to these lease agreements, as IFRS 16 replaces the recognition of an operational lease cost by a depreciation cost linked to the new 'right to use' asset and an interest cost linked to the lease liability. The Group decides to make use of the following exemptions on the transition date and future closing periods:

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

When determining the lease liability, the Group has discounted the lease payments at a discount rate of 2.64%. This discount rate will be applied for all leases and has been determined based on the average interest rate obtained by the Group for external financing.

The Group has chosen to apply the modified retrospective approach with exemptions and practical expedients on transition date, which means that the 'right of use' assets will be equal to the lease liabilities on the transition date. By considering balance sheet items per 31 December 2018 with respect to 2019 (for example advance payments) and by applying the practical expedient in the preceding analysis for the transition to IFRS 16 regarding IAS 37, the 'right of use' assets will be lower than the lease liabilities. Moreover the Group expects that by applying IFRS 16, a lease liability of € 310.7 million and 'right to use' assets of € 294.8 million will be recognised on 1 January 2019. The 'right to use' asset consists of the lease liability and the following reclassifications:

- Prepaid lease payments, previously included in Other receivables, increased the 'right to use' assets by € 2.0 million;
- Provisions for onerous contracts, previously included in Provisions, reduced the 'right to use' assets by € 14.2 million;
- Deferred leasehold inducements, previously included in Other liabilities, reduced the 'right to use' assets by € 3.7 million.

The above amounts are the opening balances per 1 January 2019. The balance sheet total is expected to increase by € 292.8 million.

In addition, the Group expects an increase in EBITDA to an amount of € 26.9 million, and an increase in depreciation and interest costs of € 21.3 million and € 7.9 million, respectively. Consequently, the Group expects a negative impact of € 2.3 million on the net result in 2019. This is always before tax effects.

The application of IFRS 16 is not expected to have a significant impact on leases in which the Group acts as the lessor, as well as on leases in which the Group acts as lessee, but where this is regarded as a finance lease as the Group already has a material fixed asset for this financial lease and has posted a debt.

IFRS 17 Insurance contracts, published in May 2017, relates to the recognition, treatment, presentation and disclosure of insurance contracts to which the standard applies. The standard ensures that the company provides sufficient and relevant information about the insurance contracts. This reliable information is the basis for calculating the impact that insurance contracts have on the financial position and cash flow of the company. The standard is applicable from 1 January 2021, but has not yet been endorsed by the EU.

The application of IFRS 17 is not expected to have any material impact on the Group's consolidated financial statements.

IFRS 14 Deferred accounts related to price regulation, published in January 2014, allows a company to still treat the deferred accounts as under the previous GAAP standards at the first time a new standard is applied. The standard has been applicable since January 2016, but has not yet been endorsed by the EU. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

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.

Sale or transfer of assets between an investor and the associate or joint venture (amendment to IFRS 10 and IAS 28) endorsed by the EU in February 2019. These changes clarify that the recognition of the profit or loss on the sale or the contribution of assets to a joint venture or associate depends on whether the assets constitute a company. If the assets form a company, the profit or loss is recognised in full; if not, the portion of the gain or loss retained is eliminated by the entity. The effective date of these changes has been postponed indefinitely, as well as EU

approval. The amendments are not expected to have any material impact on the Group's consolidated financial statements

Characteristics of early repayment with negative compensation (amendment of IFRS 9), published on 12 October 2017. The change gives rise to an exception in the IFRS 9 standard for specific financial assets. In order to qualify for this exception, the financial assets must meet two requirements. These financial assets are valued at amortised cost or at fair value. The amendments are effective for annual periods commencing on or after 1 January 2019, and have been endorsed by the EU. The amendments are not expected to have any material impact on the Group's consolidated financial statements.

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 these cases, the company shall recognise and measure its current and deferred tax asset or liability based on its taxable profit (loss), the taxable value of its assets and liabilities, unused tax losses, unused tax credits and on the basis of the tax rates as determined by applying this interpretation. The company 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 company 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 any material impact on the Group's consolidated financial statements.

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

- **IFRS 3 Business combinations:** the amendments clarify that a company re-measures 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 re-measure 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 consistent with the transactions

that gave rise to the distributable profits – i.e. in profit or loss, OCI or equity.

- **IAS 23 Borrowing Costs:** the amendments clarify that a company must consider the resources borrowed for the specific purpose of acquiring a particular qualifying asset as part of the general borrowings 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 any material impact on the Group's consolidated financial statements. These amendments have not yet been endorsed by the EU.

Plan change, curtailment or settlement (amendment in IAS 19), issued on 7 February 2018, clarifies that, in the event of a change, curtailment or settlement of a defined benefit plan, the current service costs and net interest for the remainder of the period are calculated using updated actuarial assumptions – that is, consistent with the calculation of the gain or loss from the plan change, curtailment or settlement thereof.

The amendment further clarifies that an entity first determines the retirement costs of past service or the gain or loss on settlement, without taking the effect of the asset ceiling into account. This amount is included in the income statement. The entity then determines the effect of the asset ceiling after a change, curtailment or settlement of the plan. Any change in that effect is recognised in other comprehensive income (except for amounts included in net interest). The amendments are effective for annual periods beginning on or after 1 January 2019, and are applied prospectively. The amendments are not expected to have any material impact on the Group's consolidated financial statements. These amendments have not yet been approved by the EU.

The definition of a company (amendment in IFRS 3), issued on 22 October 2018, provides additional guidance on the application of the definition of a company. The change offers the possibility of using a 'concentration test'. This is a simplified assessment that will result in an acquisition of assets if the fair value of the gross assets is almost entirely concentrated in a single identifiable asset or a group of comparable, identifiable assets. If an entity does not apply the concentration test, or if the test is negative, the amendment clarifies that the assessment should focus on the existence or non-existence and acquisition of substantial processes. The amendment applies to companies that were acquired in financial years starting on or after 1

January 2020, whereby earlier application is permitted. The amendment have not yet been approved by the EU.

Definition of material (amendment in IAS 1 and IAS 8), was issued on 31 October 2018 and clarifies the definition of 'material' and aligns the definition of 'material' with that used over the standards. The new definition states that 'information is considered material if it can be reasonably expected that omission, misrepresentation or uncertainty will affect decisions made by primary users of general purpose financial statements, based on those financial statements that provide information about a specific reporting entity.' The changes clarify that materiality will depend on the nature and scope of the information. The amendments apply prospectively for financial years starting on or after 1 January 2020, whereby earlier application is permitted. The amendments have not yet been approved by the EU.

In addition, on 29 March 2018, the IASB **published changes in references to the conceptual framework in IFRS standards**. The conceptual framework describes the fundamental concepts of financial reporting that IASB supports in the development of IFRS standards. It helps ensure that the standards are conceptually consistent and that similar transactions are treated in the same way, providing useful information to investors and other stakeholders. The conceptual framework also helps entities to develop accounting principles for financial reporting when no IFRS standard applies to a particular transaction, and helps stakeholders better understand and interpret the standards. The major amendments are, among others:

- Emphasis of the importance of providing the information needed to evaluate management's use of the resources of the entity;
- The reintroduction of the caution principle as part of neutrality. Exercising caution when judging under uncertain circumstances;
- The definition of a reporting entity, which can be a legal entity or part of a legal entity;
- Reviewing the definition of an asset as a current resource that has the ability to produce economic benefits and over which the entity has control as a result of a past event;
- Review of the definition of a liability as an existing liability of the entity that arises from past events, whose settlement results in an outflow from the entity of resources that have economic benefits;
- Removing the probability threshold for the recognition of assets and liabilities, and the addition of guidelines for the de-recognition;

- The description of the information that is provided by various bases for measurement, and explaining the factors to be taken into account when selecting a measurement basis;
- Underlining the fact that profit or loss is the primary performance indicator, and that income and expenditure in unrealised results should, in principle, be recycled if this would improve the relevance or fair presentation of the financial statements. The use of unrealised results should be limited to specific cases.

The amendments apply to entities who are applying IFRS for financial years beginning on or after 1 January 2020, while the IASB will immediately apply the revised conceptual framework when developing new or changed standards and interpretations. These amendments have not yet been approved by the EU.

IMPACT OF NEW STANDARDS

On 1 January 2018, the Group applied **IFRS 15 Revenues** from contracts with customers and **IFRS 9 Financial instruments** for the first time

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

In accordance with IFRS 15, income is recognised by the amount of compensation to which the Group expects to be entitled in exchange for the transfer of goods or services to a customer.

The Group has applied IFRS 15 from 1 January 2018, and has adjusted the valuation rules for the sale of certain services in this context. In particular, the application of IFRS 15 has had an impact on:

- the recognition of proceeds from prepaid gift vouchers and the associated reimbursement for administrative, packaging and handling costs: these proceeds are recognised on the day of the screening of the film to which the turnover relates. Under the previous standard, this revenue was recognised at the time the voucher was sold;
- the supplier discounts (PET intervention, volume discounts, cooperation costs and marketing support): these are included in the income statement as a reduction in the cost of sales or marketing costs. These discounts were recognised as revenue under the previous standard;
- the theatrical revenue from film distribution will be recognised over the term of the film when the number of visitors is known. The proceeds from 'after theatrical rights' are recognised when the rights have been transferred and the content is available to the licensee. The latter were recognised in revenue under the previous standard spread over 12 months.

The Group has carried out a materiality analysis and, on this basis, it can be concluded that the application of this standard has no material impact on the consolidated financial statements of the Group.

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 Financial Instruments, published in July 2014 and in force for financial years starting on or after 1 January 2018, serves to replace the existing guideline as included 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 de-recognition of financial instruments from IAS 39.

The Group has carried out a materiality analysis and, on this basis, it can be concluded that the application of this standard has no material impact on the consolidated financial statements of the Group.

Classification and measurement

All financial assets that were previously recognised at fair value are also recognised at fair value under IFRS 9. Loans and trade receivables are considered to include contractual cash flows. This will result in a cash flow that only consists of payments of the principal and interest. The Group therefore continues to measure these financial assets at amortised cost under IFRS 9.

The application of the classification and measurement requirements in accordance with IFRS 9 has therefore not had a significant impact on the consolidated financial statements of the Group.

Write-downs on financial assets

IFRS 9 replaces the model based on 'incurred losses' under IAS 39 by a model based on 'expected credit losses'. This requires considerable judgement regarding 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;
- 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 previous standard, the Group accounted for impairment losses in the amount of the estimated losses in relation to trade receivables. This concerned partly specific and partly general loss provisions that were set up as soon as receivables are more than 60 days overdue, unless their collection was still deemed to be likely.

In order to assess the impact of the application of IFRS 9, Kinopolis conducted an analysis over a period of 6 years (2013 - 2018). On average, the Group recognised impairments on financial assets amounting to 0.01% of total revenue which is 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, the group has concluded that the model based on expected credit losses over the entire lifetime has no material impact.

Hedge accounting

All existing hedge relationships that were previously designated in effective hedging relationships were still eligible for hedge accounting under IFRS 9. As IFRS 9 has not changed the general principles of 'effective' hedging, the application of this standard has no material impact on the consolidated annual account of the Group.

2. Segment reporting

Segment information is given for the Group's geographic segments. The geographic segments reflect the countries in which the Group operates. The prices for inter-segment transactions are determined on a business-like, objective basis. 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 CEO 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 CEO 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.

Segment reporting at 31 December 2018

INCOME STATEMENT

IN '000 €	2018								
	BELGIUM	FRANCE	CANADA	SPAIN	NETHERLANDS	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NON-ALLOCATED	TOTAL
Segment revenue	188 238	71 106	127 030	44 759	57 221	14 901	4 468		507 723
Inter-segment revenue	-31 644	-93		-69			-37		-31 843
Revenue	156 594	71 013	127 030	44 690	57 221	14 901	4 431		475 880
Cost of sales	-101 936	-49 322	-107 364	-32 054	-42 013	-10 490	-2 471		-345 650
Gross profit	54 658	21 691	19 666	12 636	15 208	4 411	1 960		130 230
Marketing and selling expenses	-12 569	-3 210	-3 346	-2 397	-2 558	-977	-189		-25 246
Administrative expenses	-16 716	-2 111	-5 160	-868	-1 455	-262	-329		-26 901
Other operating income	173	1 282		4	56	298	91		1 904
Other operating expenses	-213	-226	-43	-245	-130				-857
Segment profit	25 333	17 426	11 117	9 130	11 121	3 470	1 533		79 130
Finance income								1 362	1 362
Finance expenses								-13 733	-13 733
Profit before tax									66 759
Income tax expense								-19 350	-19 350
PROFIT FOR THE PERIOD									47 409

BALANCE SHEET – ASSETS

IN '000 €	2018								
	BELGIUM	FRANCE	CANADA	SPAIN	NETHERLANDS	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NON-ALLOCATED	TOTAL
Intangible assets	5 677	689	2 737	313	225	22			9 663
Goodwill	6 586	11 317	32 038	2 858	29 719	5 844	6 502		94 864
Property, plant and equipment	72 486	81 254	75 151	49 406	127 774	11 578	6 690		424 339
Investment property				6 721			10 325		17 046
Deferred tax assets								1 427	1 427
Other receivables	1	7 720	2 396	677	-20	11			10 785
Other financial assets								27	27
Non-current assets	84 750	100 980	112 322	59 975	157 698	17 455	23 517	1 454	558 151
Inventories	2 604	373	770	302	705	126	36		4 916
Trade and other receivables	17 931	9 159	9 928	1 730	2 973	1 065	213		42 999
Current tax assets								2 416	2 416
Cash and cash equivalents								65 381	65 381
Assets classified as held for sale			2 832		4 159				6 991
Current assets	20 535	9 532	13 530	2 032	7 837	1 191	249	67 797	122 703
TOTAL ASSETS	105 285	110 512	125 852	62 007	165 535	18 646	23 766	69 251	680 854

BALANCE SHEET – EQUITY AND LIABILITIES

IN '000 €									2018
	BELGIUM	FRANCE	CANADA	SPAIN	NETHERLANDS	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NON-ALLOCATED	TOTAL
Share capital and share premiums								20 106	20 106
Consolidated reserves								161 461	161 461
Translation reserve								-4 164	-4 164
Total equity attributable to the owners of the company								177 403	177 403
Non-controlling interests								214	214
Equity								177 617	177 617
Financial liabilities								272 677	272 677
Provisions for employee benefits	557								557
Provisions	1 526	109	8 902		4 028				14 565
Deferred tax liabilities								20 518	20 518
Derivative financial instruments								211	211
Other payables	1	7 281	3 356	270	69				10 977
Non-current liabilities	2 084	7 390	12 258	270	4 097			293 406	319 505
Bank overdrafts								36	36
Financial liabilities								69 790	69 790
Trade and other payables	44 627	21 112	20 072	6 167	11 032	2 811	507		106 328
Provisions		335	1 094		812				2 241
Current tax liabilities								5 337	5 337
Current liabilities	44 627	21 447	21 164	6 167	11 844	2 811	507	75 163	183 730
TOTAL EQUITY AND LIABILITIES	46 711	28 837	33 423	6 437	15 941	2 811	507	546 187	680 854

CAPITAL EXPENDITURE

IN '000 €									2018
	BELGIUM	FRANCE	CANADA	SPAIN	NETHERLANDS	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NON-ALLOCATED	TOTAL
CAPITAL EXPENDITURE	13 308	15 004	14 788	3 362	13 788	869	95		61 204

NON-CASH ELEMENTS

IN '000 €									2018
	BELGIUM	FRANCE	CANADA	SPAIN	NETHERLANDS	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NON-ALLOCATED	TOTAL
Depreciation, amortisation, provisions and impairments	11 246	7 080	4 955	3 438	7 271	1 746	438		36 174
Others	1 075								1 075
TOTAL	12 321	7 080	4 955	3 438	7 271	1 746	438		37 249

Segment reporting at 31 December 2017

INCOME STATEMENT

IN '000 €	2017								
	BELGIUM	FRANCE	CANADA	SPAIN	NETHERLANDS	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NON-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									49 067

BALANCE SHEET – ASSETS

IN '000 €	2017								
	BELGIUM	FRANCE	CANADA	SPAIN	NETHERLANDS	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NON-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

BALANCE SHEET – EQUITY AND LIABILITIES

IN '000 €	2017								
	BELGIUM	FRANCE	CANADA	SPAIN	NETHERLANDS	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NON-ALLOCATED	TOTAL
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 the 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								
	BELGIUM	FRANCE	CANADA	SPAIN	NETHERLANDS	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NON-ALLOCATED	TOTAL
CAPITAL EXPENDITURE	11 794	4 191	2 469	3 415	12 285	1 140	328		35 622

NON-CASH ELEMENTS

IN '000 €	2017								
	BELGIUM	FRANCE	CANADA	SPAIN	NETHERLANDS	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NON-ALLOCATED	TOTAL
Depreciation, amortisation, provisions and impairments	12 831	5 942	550	3 250	6 003	1 655	438		30 669
Others	1 290								1 290
TOTAL	14 121	5 942	550	3 250	6 003	1 655	438		31 959

3. Revenue

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

IN '000 €	2017	2018
Box office	192 289	260 520
In-theatre sales	84 987	130 509
Business-to-business	48 573	55 519
Brightfish	12 139	10 710
Film distribution	3 781	4 563
Technical department	48	53
TOTAL IFRS 15	341 817	461 874
Real estate	13 610	14 006
TOTAL	355 427	475 880

The Box Office revenue (hereinafter: BO) increased by 35.5% to € 260.5 million. The BO per visitor increased in all countries (except for Canada, which was reporting a full year for the first time) thanks to the sale of premium products such as Cosy Seats and 4DX, the growing success of alternative content in all countries and a number of inflation-compensating measures. The global increase was influenced by a strongly modified country mix, by the addition of Canada with a lower-than-average BO per visitor and consequently a lower share of Belgium with a higher-than-average BO per visitor.

The in-theatre sales (hereinafter: ITS) increased by 53.6% thanks to an increase in ITS consumption per visitor in all countries and the addition of Canada, with a higher-than-average ITS consumption per visitor. In almost all countries, we saw more visitors in the shop, who also bought more products. The constant expansion of the ITS offer (including premium popcorn and luxury water and nut brands) contributed to the higher ITS revenue together with a positive country-mix effect, thanks to the higher share of Canada, which applied for a full year for the first time.

B2B revenue increased by 14.3% due to a strong rise in screen advertising mainly due to the expansion of the Group. The sale of events also increased, as did the sale of cinema vouchers to companies.

Real estate revenues increased by 2.9% thanks to increased rental income in Luxembourg, despite the loss of revenues from the Toison D'Or building in Brussels, which was sold in 2017.

The revenue from Kinopolis Film Distribution (KFD) increased by 20.7% due to the great success of the local films 'Patser', 'De Buurtpolitie' and 'Niet Schieten'.

Brightfish generated 11.8% less revenue due to fewer events and a decline in national screen advertising.

The revenue from Box Office and in-theatre sales (which together represented 82% of total revenue) are directly linked to the evolution of the visitors. These in turn depend on the number of films produced, their success with the customer and external factors, such as competitive activities and weather conditions. Consequently, the number of visitors, and therefore the turnover, can be very volatile. For more information regarding the risks involved, please refer to the 'Description of the main business risks' in the 'Corporate Governance Statement' section.

The short-term contractual obligation with regard to the gift vouchers amounted to € 22.2 million on 31 December 2018 (2017: € 21.6 million).

The evolution of the balance of the short-term obligations of the gift vouchers is dependent on the evolution of the number of visitors. The gift vouchers have an average duration to maturity of less than 12 months in Europe. In Canada these gift vouchers have a unlimited duration to maturity.

4. Other operating income and expenses

OTHER OPERATING INCOME

IN '000 €	2017	2018
Government grants	948	855
Reversal of provisions		40
Capital gains on disposal of property, plant and equipment	1 902	104
Other	195	905
TOTAL	3 045	1 904

GOVERNMENT GRANTS

The Group receives government grants in France from the Centre national du cinéma et de l'image animée (CNC) for cinema related investments. These grants come from a fund financed by contributions from cinema operators in the form of a percentage of ticket sales. The grants are recorded as liabilities, and are taken into the result via the useful life of the related assets, at € 0.9 million in 2018 (2017: € 0,9 million).

The capital gain on disposal of property, plant and equipment in 2017 relates to the sale of the Toison d'Or building in Brussels (BE). In 2018, this capital gain relates to the sale of a plot in Poland.

The other operating income mainly relates to an allowance of € 0.4 million from a lessor in the context of a claim for damages in a rented French complex.

OTHER OPERATING EXPENSES

IN '000 €	2017	2018
Losses on disposal of property, plant and equipment	-93	-365
Losses on disposal of trade receivables	-160	-325
Other	-60	-167
TOTAL	-313	-857

The capital loss on the realisation of tangible fixed assets in 2018 mainly relates to the decommissioning of material.

5. Employee benefit expenses

IN '000 €	2017	2018
Wages and salaries	-41 716	-59 056
Social security contributions	-9 429	-11 631
Employer contributions to employee insurances	-998	-578
Share-based payments	-1 290	-1 075
Other employee expenses	-3 123	-3 209
TOTAL	-56 556	-75 550
Total full-time equivalents at the balance sheet date	1 771	2 126

The increase in employee benefit expenses in 2018 is mainly due to the higher number of full-time equivalents at 31 December 2018 due to the Group's expansion in the Netherlands and Canada.

The share-based payments are related to the options granted in 2017 and 2018. For more information, please 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 €	2017	2018
Defined benefit plan	572	557
TOTAL	572	557

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 recognised in the accounts as a defined benefit plan as under IAS 19.

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

IN '000 €	2017	2018
Liability from defined contribution schemes	4 897	5 317
Fair value of fund investments	-4 325	-4 759
Net liability (-asset) from defined benefit plan	572	557

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:

	2017	2018
Weighted average discount rate	1.60% / 1.70%	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 €	2017	2018
Included in the income statement		
Pension costs allocated to the year of service	-196	-219
Interest expenses	-6	-6
	-202	-225
Included in other comprehensive income		
Changes to estimates of defined benefit plans	-50	5
	-50	5
Total comprehensive income	-252	-220

The expected pension costs from defined benefit plans for 2019 are € 0.2 million, and primarily relate to allocated pension costs.

SENSITIVITY ANALYSIS

IN '000 €	31 DECEMBER 2018	
	INCREASE	DECREASE
Discount rate (1% movement)	-375	498
Future pay fluctuation (1% movement)	43	-39
Life expectancy (1% movement)	-2	2

Its defined benefit plans expose the Group to a number of risks, the most important of which are explained below:

- *Changes to discount rate:* a reduction in the discount rate leads to an increase in the liabilities;
- *Salary risk:* the gross liabilities of most schemes are calculated on the basis of the future payments to the participants. As a consequence, a higher than expected salary rise will lead to higher liabilities;
- *Life-long risk:* pension plans provide participants benefits as long as they live, so an increase in life expectancy will result in an increase in plan liabilities.

6. Additional information on operating expenses by nature

The table below shows the breakdown of the cost of sales by nature:

IN '000 €	2017	2018
Purchases	-118 700	-165 175
Services and various goods	-49 769	-83 576
Employee expenses and other social benefits	-41 488	-55 612
Amortisation	-28 588	-36 215
Provisions and impairments	288	858
Others	-3 775	-5 931
COST OF SALES	-242 032	-345 651

The table below shows the breakdown of the sales and marketing costs by nature:

IN '000 €	2017	2018
Services and various goods	-12 670	-16 210
Employee expenses and other social benefits	-6 468	-7 303
Amortisation	-1 456	-1 746
Provisions and impairments	17	20
Others	159	-7
SALES AND MARKETING COSTS	-20 418	-25 246

The table below shows the breakdown of the administrative costs by nature:

IN '000 €	2017	2018
Services and various goods	-13 414	-13 192
Employee expenses and other social benefits	-8 600	-12 635
Amortisation	-994	-1 078
Provisions and impairments	277	64
Others	-63	-58
ADMINISTRATIVE EXPENSES	-22 794	-26 900

7. Finance income and expenses

FINANCE INCOME

IN '000 €	2017	2018
Interest income	7	15
Foreign exchange gains	247	345
Fair value of contingent considerations	642	428
Unwinding of non-current government grants receivable	543	402
Others	452	172
TOTAL	1 891	1 362

At 31 December 2018, there was a fair value change to the contingent consideration with regard to the acquisition

of the Wolff Bioscopen group of € 0.4 million (€ 0.6 million in 2017) (see note 25).

FINANCE EXPENSES

IN '000 €	2017	2018
Interest expenses	-7 771	-10 374
Foreign exchange losses	-157	-331
Others	-2 176	-3 028
TOTAL	-10 104	-13 733

The increase in interest costs is mainly due to an increase in gross debt due to the private placement of bonds amounting to € 125 million in December 2017.

The exchange rate losses mainly relate to the fluctuations of the Canadian dollar against the Euro.

In 2018, the activation of interest costs related to construction projects amounted to € 0.3 million, compared to € 0.1 million in interest costs activated in 2017.

As the group applies a general financing policy, a weighted average interest rate of 2.64% (2017: 3.22%) is used to activate the interest expenses of construction projects.

The total costs with regard to the refinancing of the Group in 2012 were € 1.1 million. These are recognised in the income

statement using the effective interest method at € 0.1 million in 2018 (2017: € 0.1 million) and are a part of the interest costs. The costs of the refinancing of the Group in 2015 were € 1.6 million. These are recognised in the income statement using the effective interest method at € 0.2 million in 2018 (2017: € 0.2 million) and are a part of the interest costs. The costs of the refinancing of the Group in 2017 were € 0.5 million. These are recognised in the income statement using the effective interest method at € 0.1 million in 2018 (2017: € 0.0 million) and are a part of the interest costs

The other finance expenses in 2018 and 2017 mainly include banking costs and the updating of the unfavourable lease contract of the cinema complex in Almere (NL). The other financial expenses also include commitment fees with regard to the credit agreement that the Group refinanced in 2015 (see notes 21 and 25) at € 0.3 million (2017: € 0.3 million).

8. Income tax expense

IN '000 €	2017	2018
Current tax expenses	-19 264	-19 094
Deferred tax expenses	3 629	-256
TOTAL	-15 635	-19 350

The effective tax rate was 28.96% in 2018 (2017: 24.2%). The higher income tax is mainly due to the decrease in tax rate in France and Belgium, which led to a release of € 5.4 million in

deferred taxes last year, which can be found in the table below under the line 'Change to law and tax rate' in 2017.

EFFECTIVE TAX RATE RECONCILIATION

IN '000 €	2017	2018
Profit before tax	64 702	66 760
Belgian tax rate	33.99%	29.58%
Income tax using the Company's domestic tax rate	-21 992	-19 748
Effect of tax rates in foreign jurisdictions	571	545
Non-deductible expenses	-540	-497
Tax-exempt income	505	1 131
Impairment on treasury shares		-809
Losses for which no deferred claim has been made		-513
Use of unrecognised losses and tax losses for which no deferred tax asset was recognised	385	37
Under/(over) provision in prior periods	265	-163
Change to law and tax rate in France	1 966	
Change to law and tax rate in Belgium	3 078	
Change to law and tax rate in Luxembourg	320	
Change to law and tax rate in the Netherlands		237
Reversal taxes related to Fairness tax		594
Other adjustments	-193	-164
TOTAL INCOME TAX EXPENSE	-15 635	-19 350
Effective tax rate	24.16%	28.96%

The 'Other adjustments' mainly concern a deferred tax on temporary differences between the fiscal- and the group result of the Netherlands.

The change in legislation and tax rate in the Netherlands mainly concerns the future fall in the corporate tax rate from 25% to 22.55% in 2020, and to 20.5% from 2021.

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 2018 mainly concern the expenditures for the renewal of the front office software of the Group for € 0.9 million (2017: € 0.7 million). These

comprise internal hours worked for € 0.3 million and purchases from third parties for € 0.6 million. The purchases also relate to all kinds of IT projects.

The purchases through business combinations are related to the acquisition of NH Bioscopen and the 'Palace' cinema in Metz. For more information, please see note 10.

IN '000 €	PATENTS AND LICENSES	OTHERS	INTERNALLY GENERATED INTANGIBLE ASSETS	TOTAL
Acquisition value	12 165	1 236	2 938	16 339
Amortisation 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
Amortisation	-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
Amortisation 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
Acquisitions	2 221	331	320	2 872
Sales and disposals	-70	-36		-106
Transfer from / to other categories	-232	-117	-10	-359
Amortisation	-1 615	-53	-299	-1 967
Acquisitions through business combinations	279			279
Effect of exchange rate fluctuations	-5	-99		-104
Acquisition value	15 825	4 364	3 550	23 739
Amortisation and impairment losses	-10 648	-986	-2 441	-14 075
NET CARRYING AMOUNT AT 31/12/2018	5 177	3 378	1 109	9 664

10. Goodwill and business combinations

GOODWILL

IN '000 €	2017	2018
BALANCE AT END OF PREVIOUS PERIOD	53 255	86 393
Acquisitions through business combinations	33 071	10 058
Impairment losses		-487
Translation reserve	67	-1 100
BALANCE AT END OF CURRENT PERIOD	86 393	94 864

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

The impairment loss relates to the impairment of goodwill related to the forthcoming closure of the Nîmes Forum (France).

At the end of 2018, as in 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.

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

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

The cash flows of the Group are generated per country:

- The programming of films and negotiations with distributors takes place at the country level;
- The management structures are organised at the national level
- A large percentage of tickets are sold through the websites, which are organised at country level;
- The pricing of tickets, refreshments and snacks is set at country level;
- Marketing contributions by distributors are negotiated on a country-by-country basis;
- Screen advertising is managed on a country basis;
- Vouchers are sold through the business-to-business sales teams. Customers use their vouchers through the central back office systems at country level;
- The business-to-business events are organised at complex and at country level.

The value in use was taken into consideration in the impairment tests. For all cash generating units, the value in use was defined by discounting the future cash flows calculated over the period 2020 to 2038, based on the budget for 2019. The future cash flows are calculated over a period of 20 years, as the Group owns nearly all of its property, which guarantees operation in the long run. A terminal value after 20 years is not taken into account: in exchange for this, the net book value of the country is not included in the test. For the period 2020 to 2038, the data of the 2019 budget for all cash flow generating units were extrapolated on the basis of the following assumptions:

- The visitor figures, which are the most important driver, are based on a budget for 2019 that results from a fictitious low number of visitors (-5% visitors compared to 2018). This exercise is carried out annually, and aims to have the company look for measures to increase profitability, and thereby lower the break-even point. The company does not assume that visitors will fall by 5%, but, by working with this visitor evolution, the operational entities of the group are forced to think about how they can increase the contribution per visitor, and the total, in order to compensate for the difference in visitors. By also using this budget in the impairment tests, a cautious budget is therefore assumed;
- For all other drivers, the budget for the following year is also assumed, including all the improvements and optimisations for which this provides;
- The EBITDA grows annually by 1%, and this is applied for all countries and for every cash-generating unit. This is only intended to compensate for inflation, whereby the EBITDA margin remains constant;
- The assumptions regarding replacement investments are identical for all countries, but are differentiated depending on whether it concerns buildings owned or rented. The amounts are determined on the basis of the group guidelines that must be followed by all countries. This will be increased by 1% for all countries from 2020.

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 5.98% for Belgium, 5.93% for France, 7.29% for Canada, 6.69% for Spain, 5.76% for the Netherlands, 5.67% for Luxembourg, 5.37% for Switzerland and 8.09% for Poland (2017: 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) and was determined on the basis of the following theoretical parameters:

	2017						2018					
	RISK FREE INTEREST RATE	MARKET RISK PREMIUM	BETA	PROPOSED COST OF DEBT ⁽¹⁾	COST OF OWN EQUITY	DEBT CAPITAL / EQUITY	RISK FREE INTEREST RATE	MARKET RISK PREMIUM	BETA	PROPOSED COST OF DEBT ⁽¹⁾	COST OF OWN EQUITY	DEBT CAPITAL / EQUITY
Belgium	0.55%	6.70%	0.90	3.25%	6.57%	9.36%	0.80%	6.18%	0.98	2.89%	6.85%	18.07%
France	0.66%	6.70%	0.90	3.25%	6.68%	9.36%	0.75%	6.18%	0.98	2.89%	6.80%	18.07%
Spain	1.45%	6.70%	0.90	3.25%	7.47%	9.36%	1.63%	6.18%	0.98	2.89%	7.68%	18.07%
Netherlands	0.44%	6.70%	0.90	3.25%	6.46%	9.36%	0.50%	6.18%	0.98	2.89%	6.55%	18.07%
Luxembourg	0.44%	6.70%	0.90	3.25%	6.46%	9.36%	0.40%	6.18%	0.98	2.89%	6.45%	18.07%
Switzerland	-0.15%	6.70%	0.90	3.25%	5.87%	9.36%	-0.03%	6.18%	0.98	2.89%	6.02%	18.07%
Poland	3.32%	6.70%	0.90	3.25%	9.34%	9.36%	3.30%	6.18%	0.98	2.89%	9.35%	18.07%
Canada ⁽²⁾							2.38%	6.18%	0.98	2.89%	8.43%	18.07%

(1) Before tax

(2) Canada not supplemented for 2017: no impairment exercise as the transaction was not yet final

The ratio of borrowed capital to equity is 18.07%, with equity based on the enterprise value of the company and not on the consolidated equity. The weighted average cost of capital is tested annually on the basis of the parameters used by the analysts who follow the Group's share, while also taking into account the specific circumstances of each country. There

was always a large margin compared to the parameters used by the analysts.

The weighted average cost of capital before tax is 6.14% for Belgium, 6.10% for France, 7.43% for Canada, 6.82% for Spain, 5.89% for the Netherlands, 5.81% for Luxembourg, 5.46% for

Switzerland and 8.19% for Poland (2017: 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). These percentages before taxes do not deviate greatly 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 sensitivity analysis has been deducted with regards to the different parameters used. In one of these analyses the cost of debt before taxes has been doubled, which would result in an increase of the weighted average costs of capital of 75 basis points. This change in assumption does not result in another conclusion and thus should not give cause to an impairment.

GOODWILL PER CASH GENERATING UNIT

IN '000 €	2017	2018
Belgium	6 586	6 586
France	11 804	11 317
Canada	33 138	32 038
Spain	2 858	2 858
Netherlands	19 661	29 719
Luxembourg	5 844	5 844
Poland	6 502	6 502
BALANCE AT END OF CURRENT PERIOD	86 393	94 864

BUSINESS COMBINATIONS

ACQUISITIONS IN 2018

Acquisition of 'NH Bioscopen'

Just before Christmas 2017, the Kinopolis Group reached an agreement on the acquisition of the NH Bioscopen cinemas in Schagen and Hoofddorp (NL), with control transferred on 1 January 2018. The agreement also covers a new-build project in Haarlem (NL). The cinema complexes in question and the new-build project in Haarlem were owned by Mr. and Mrs. Frits and Irma Nieuwenhuizen, who are also the managers of the cinemas in Schagen and Hoofddorp. The NH Bioscopen cinema on Texel is not included in the agreement.

The cinema in Schagen has five screens and 560 seats, welcoming some 220,000 visitors annually. The cinema in Hoofddorp has eight screens and 1 100 seats, welcoming some 390,000 visitors annually. The 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 company value of € 27.2 million ('cash and debt free'). External debts were repaid shortly

before acquisition, and were replaced by financing from the Group. € 1.7 million of the total reimbursement is conditional. The conditional € 1.7 million is linked to whether or not the new-build project in Haarlem (NL) will be realised. We refer to note 25 regarding the sensitivity analysis of this conditional compensation. As the Group still expects to receive the building permit for the project in Haarlem, this fee has been included at a fair value of € 0.0 million.

The inclusion of NH Bioscopen in the consolidation scope of the Group on 1 January 2018, the date on which effective control was acquired, resulted in goodwill of € 10.1 million. The origin of this goodwill is the strengthening of Kinopolis' position on the Dutch market and the offer of the Kinopolis film experience to even more visitors.

In 2018, NH Bioscopen contributed € 7.5 million in revenue and € 1.0 million in EBITDA to the consolidated results of the Group. The transaction expenses linked to this acquisition were € 0.1 million at 31 December 2017, and were recognised in the result as part of the administrative expenses.

IN '000 €	2018
Tangible and intangible fixed assets	19 289
Inventories	140
Current trade and other receivables	135
Cash and cash equivalents	418
Non-current loans and borrowings	-6 442
Deferred tax liabilities	-1 859
Current loans and borrowings	-648
Current trade and other payables	-1 419
TOTAL	9 614

The tangible and non-tangible assets of NH Bioscopen amount to € 19.3 million, and are recognised at fair value. € 18.8 million concerns land and buildings related to the cinema complexes at Schagen and Hoofddorp (NL). The remaining € 0.5 million is allocated to seats, screens, projectors and sound systems. The financial liabilities were immediately paid back before the transaction, and were replaced by an internal loan. Current trade and other payables were mainly payables of the previous owner of NH Bioscopen, and were paid immediately after the transaction

and replaced by internal financing (€ 0.6 million). Also considering the current and non-current financing obligations, this explains the repayment of the debt of € 7.7 million in the table below. The deferred tax liability was recognised for the revaluation to fair value of the buildings in Schagen and Hoofddorp. The revaluation of the buildings is based on valuation reports carried out by external parties. The other elements of the net identifiable assets and liabilities have not been adjusted, as they have already been included at fair value.

NET IDENTIFIABLE ASSETS AND LIABILITIES

IN '000 €	2018
NET IDENTIFIABLE ASSETS AND LIABILITIES	9 614
Cash	17 972
Contingent considerations	1 700
REMUNERATION [1]	19 672
GOODWILL	10 058
Acquired cash [2]	418
Repayment of debt [3]	7 701
ACQUISITION OF SUBSIDIARIES, NET OF ACQUIRED CASH, IN THE STATEMENT OF CASH FLOWS [1] - [2] + [3]	26 955

The cash has been adjusted in the table above, with changes in current account and working capital. Kinopolis will always carry out an acquisition without external debts. Any external debts are repaid just before takeover, and are replaced by an intra-group loan. The repayment of these debts in the context of the acquisition of NH Bioscopen for an amount of € 7.7 million is therefore also included in the acquisition of subsidiaries in the cash flow statement. The goodwill generated is not tax deductible.

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 was opened on 30 August 2018.

IN '000 €	2018
Intangible assets	263
Current other receivables	287
TOTAL	550

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 finalisation of the acquisition of Landmark Cinemas on 8 December 2017.

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 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. It was thereby 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 recognised in profit and loss as part of the administrative expenses. The inclusion of Landmark Cinemas in the consolidation circle generated a revenue of € 12.1 million in 2017 and a result of € 1.7 million (for the last 3 weeks of 2017). As no IFRS-compliant figures were available from Landmark Cinemas, the contribution to the consolidated results of the Group if Landmark Cinemas would be included for a full year could not be calculated.

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

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 licences.

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 external debts were repaid shortly before acquisition, and were replaced by financing from the Group. The provisions relate to a provision for onerous contracts and a provision for disputes. Trade payables amounted to € 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 the management of Landmark Cinemas received co-investment rights to invest in Landmark Cinemas Holding Ltd. The price at which the co-investment rights in Landmark Cinemas Holding Ltd can be exercised was 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. These co-investment rights were exercised during the second half of 2018, which led to the recognition of a minority interest for an amount of € 0.2 million on 31 December 2018.

Share Option Plan

The Kinopolis Group nv granted 23,500 options in the 2016 Share Option Plan to members of Landmark Cinemas management in January 2018 (see note 20).

CONTINGENT CONSIDERATIONS UTRECHT BIOSCOPEN GROUP

At 31 December 2018, the fair value of the contingent considerations with regard to the acquisition of the Wolff

Bioscopen group was € 0.0 million (2017: € 0.4 million). No payment was made to the former shareholders of the Wolff Bioscopen group in 2018 (2017: € 0.0 million). There was a fair value change to the contingent considerations of € 0.4 million in 2018 (2017: € 0.6 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) in the third year 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	504 066	241 378	1 702	747 146
Amortisation 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
Amortisation 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	19 846	22 849	15 582	58 277
Sales and disposals	-123	-213	-184	-520
Acquisitions through business combinations	18 754	462	120	19 337
Assets classified as held for sale	-4 419	-3		-4 422
Transfer from / to other categories	6 812	13 337	-19 790	359
Depreciation	-19 295	-16 948		-36 243
Effect of exchange rate fluctuations	-1 536	-872	-39	-2 447
Acquisition value	602 993	311 861	2 830	917 684
Amortisation and impairment losses	-275 848	-217 497		-493 344
NET CARRYING AMOUNT AT 31/12/2018	327 145	94 364	2 830	424 339

ACQUISITIONS

The acquisitions in 2018 included, among other things, the current investments in France (€ 10.9 million), and relate to the redesign of the 'Palace' cinema room in Metz and the new construction in Bretigny, Fenouillet and Servon. In addition, there have been new construction investments in Canada and the Netherlands for € 7.2 million and € 8.2 million, respectively.

Kinopolis acquired the shares of Wolff Monumenten Utrecht B.V., including the City of Utrecht cinema building (NL), for an amount of € 1.9 million on 20 July 2018. This means that, on that same date, Kinopolis became the owner of the cinema building previously leased and operated by the Group.

TRANSFER TO ASSETS CLASSIFIED AS HELD FOR SALE

The transfer to assets held for sale is mainly related to the offices in the complex in 's-Hertogenbosch, which were put up for sale in 2018. The building in Kamloops was also put up for sale in the course of 2018. We refer to note 17 for further information

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 recognised as a financial lease. At 31 December 2018 the net carrying amount was € 6.7 million (2017: € 7.7 million).

LEASED PLANT, MACHINERY AND EQUIPMENT

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

No new digital projectors were leased under this sale and lease-back agreement in 2018 (2017: € 0.0 million). The carrying amount of these leased machines and equipment was € 0.0 million at 31 December 2018 (2017:

€ 0.8 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.

ACQUISITIONS THROUGH BUSINESS COMBINATIONS

The acquisition of Landmark Cinemas in 2018 led to an increase in property, plant and equipment of € 19.3 million. For more information about business combinations, see note 10.

12. Investment property

IN '000 €	LAND AND BUILDINGS	PLANT, MACHINERY & EQUIPMENT	TOTAL
Acquisition value	37 199	481	37 680
Amortisation 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
Acquisitions	54		54
Sales and disposals	-135		-135
Depreciation	-324	-16	-340
Effect of exchange rate fluctuations	-281	-2	-283
Acquisition value	23 138	507	23 645
Depreciation and impairment losses	-6 111	-490	-6 601
NET CARRYING AMOUNT AT 31/12/2018	17 027	17	17 044

From 18 January 2007 the land, buildings, machines and equipment in Poznan' (PL) are no longer used for Kinopolis' own operations, but are leased to Cinema City, owned by the Cineworld cinema group. 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 € 10.3 million (2017: € 11.0 million).

The plot in Valencia (ES) (€ 6.7 million) has been part of the investment property since 2015, as it is reserve capacity that is not necessary for the execution of the business and can be redeveloped.

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

Rental income from investment property was € 1.9 million (2017: € 2.2 million). The direct operating charges (including repairs and maintenance) ensuing from investment property were € 0.4 million (2017: € 0.5 million).

FAIR VALUE

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

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

The fair value of the investment property was € 38.6 million (2017: € 27.4 million). The increase is mainly due to the increased fair value of the investment property in Poland, and is explained by the positive evolution of the valuation and the real estate market.

The fair value of the investment property is recognised as a level 3 fair value based on the unobservable inputs that were used for the measurement. The market approach is used for the measurement of the fair value of the land and buildings. The independent experts base the price per square meter on their knowledge of the market and information on market transactions 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 increase in deferred tax liabilities mainly relates to the acquisition of NH Bioscopen in the Netherlands and the decrease in deferred tax asset on transferable losses, partly offset by a decrease in deferred tax liability on tangible and intangible assets due to the use of the deferred tax liability depending on the depreciation rate of the Group.

TEMPORARY DIFFERENCES FOR WHICH NO DEFERRED TAX ASSETS ARE RECOGNISED

No deferred tax asset is recognised in the balance sheet in respect to tax losses carried forward and unused tax credits amounting to € 10.4 million (2017: € 8.8 million), as it is unlikely 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 RECOGNISED

A deferred tax liability of € 0.4 million was recognised in 2018 in connection with all distributable reserves in the subsidiaries of the Group (2017: € 0.5 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 €	2017			2018		
	ASSETS	LIABILITIES	DIFFERENCE	ASSETS	LIABILITIES	DIFFERENCE
Property, plant and equipment and other intangible assets	933	-27 027	-26 095	92	-25 459	-25 368
Receivable CNC government grants	519	-1	517	300	-379	-79
Inventories	4		4			
Trade and other receivables	53	-688	-636	167	-397	-231
Provisions	4 274	-132	4 142	3 488	-153	3 336
Deferred CNC government grants	829	-387	442	936	-354	582
Provisions for employee benefits	145		145	159		159
Derivative financial instruments through equity	72		72	63		63
Tax losses carried forward and other deferred tax assets	4 577		4 577	2 731	-273	2 459
Trade and other payables	349	-16	333	540	-105	435
Investments in subsidiaries		-479	-479		-447	-447
TOTAL	11 753	-28 730	-16 977	8 476	-27 566	-19 090
Tax offsetting	-10 571	10 571		-7 049	7 049	
NET DEFERRED TAX ASSETS AND LIABILITIES	1 182	-18 159	-16 977	1 427	-20 517	-19 090

CHANGES IN DEFERRED TAX BALANCES DURING THE YEAR

IN '000 €	2016	RECOGNISED IN PROFIT AND LOSS	RECOGNISED IN OTHER COMPRE- HENSIVE INCOME	ACQUI- SITION THROUGH BUSINESS COMBI- NATIONS	2017	RECOGNISED IN PROFIT AND LOSS	RECOGNISED IN OTHER COMPRE- HENSIVE INCOME	ACQUI- SITION THROUGH BUSINESS COMBI- NATIONS	2018
Property, plant and equipment and other intangible assets	-21 362	3 536		-8 270	-26 095	2 583		-1 856	-25 368
Receivable CNC government grants	735	-218			517	-596			-79
Inventories	3	1			4	-4			
Trade and other receivables	-119	5		-522	-636	405			-231
Provisions	806	202		3 134	4 142	-807			3 336
Deferred CNC government grants	387	55			442	140			582
Provisions for employee benefits	184	-53	14		145	16	-2		159
Derivative financial instruments through equity	113		-41		72	-9			63
Tax losses carried forward and other deferred tax assets	3 659	-1 430		2 348	4 577	-2 118			2 459
Trade and other payables	107	73		153	333	102			435
Investments in subsidiaries	-1 935	1 456			-479	32			-447
TOTAL	-17 422	3 629	-27	-3 157	-16 977	-256	-2	-1 856	-19 090

The taxes on other comprehensive income amount to € 0,5 million. The difference with the amount in the table above is explained by the incorporation of exchange rate differences on long term loans in foreign currencies which are included in the equity (see also note 18). The income taxes on these exchange rate results are related to current income taxes and are hence not included in the above table related to the deferred taxes.

The movements on the deferred taxes as a result of the acquisition of NH Bioscopen (€ -1.9 million) can mainly be attributed to the fair value adjustment of the land and the building in Hoofddorp and Schagen, for an amount of € 7.4 million. This deferred tax liability will be included in the result according to the depreciation rate of the Group.

14. Inventories

IN '000 €	2017	2018
3D glasses	485	406
Goods purchased for resale in cinemas	2 321	2 658
Components inventory, technical department	1 775	1 670
Others	169	184
TOTAL	4 750	4 918

The cost of sales of inventories recognised in the income statement was € 29.5 million (2017: € 19.4 million).

15. Trade and other receivables

NON-CURRENT OTHER RECEIVABLES

IN '000 €	2017	2018
Cash guarantees	975	979
Government grants – CNC	9 145	7 663
Other receivables		2 144
TOTAL	10 120	10 786

The non-current government subsidies relate mainly to the sector-related government grants that can be obtained in France from the CNC based on the number of visitors. For more information, please see note 4.

The other receivables mainly consist of a prepayment in Canada with regard to a lease.

CURRENT TRADE AND OTHER RECEIVABLES

IN '000 €	2017	2018
Trade receivables	33 695	34 541
Taxes receivable, other than income taxes	3 492	4 235
Deferred charges and accrued income	183	1 564
Tax shelter receivables	148	148
Tax shelter investments	304	304
Other receivables	2 956	2 206
TOTAL	40 778	42 998

Trade receivables have increased by € 0.8 million or 2.5%, which is mainly related to a timing difference.

The increase of the deferred charges is due to Canada, and relates in particular to the deferral of step-up rent over the term of the contract.

The tax shelter receivables concern the loans made to third

parties to finance and support film production in Belgium. The tax shelter investments concern the film rights the Group acquires as part of tax shelter transactions.

The other current receivables primarily consist of the current portion of the French sector-related government grants (CNC) for € 1.7 million (2017: € 2,7 million) and the advances on the social security of € 0.5 million (2017: € 0.34 million).

AGEING OF THE NON-CURRENT AND CURRENT TRADE AND OTHER RECEIVABLES

IN '000 €	2017			2018		
	GROSS CARRYING AMOUNT	IMPAIRMENT	NET CARRYING AMOUNT	GROSS CARRYING AMOUNT	IMPAIRMENT	NET CARRYING AMOUNT
Not yet due on reporting date	37 501	-2	37 499	45 652	-2	45 650
Less than 30 days past due	9 637	-129	9 508	5 567	-31	5 536
Between 31 and 120 days past due	3 025	-36	2 989	1 138	15	1 153
Between 120 days and 1 year past due	885	-380	505	1 587	-566	1 021
Over 1 year past due	1 384	-987	397	1 428	-1 004	424
TOTAL	52 432	-1 534	50 898	55 372	-1 588	53 784

MOVEMENT IN THE ALLOWANCE FOR IMPAIRMENT OF TRADE RECEIVABLES

IN '000 €	2017	2018
BALANCE AT END OF PREVIOUS PERIOD	-1 655	-1 534
Recognised impairments	-454	-811
Utilised impairments	42	-152
Reversed impairments	538	906
Effect of exchange rate fluctuations	-5	3
BALANCE AT END OF CURRENT PERIOD	-1 534	-1 588

The impairments on trade receivables have risen by € 0.1 million, which is in line with last year.

The value for losses was determined from 1 January 2018,

in accordance with IFRS 9, see note 25.

There is no ageing problem for the financial assets other than trade receivables.

16. Cash and cash equivalents

IN '000 €	2017	2018
Current investments (less than three months)	20 000	
Cash at bank and in hand	137 398	65 381
TOTAL	157 398	65 381
Bank overdrafts considered as cash and cash equivalents in the statement of cash flows	-33	-36
CASH AND CASH EQUIVALENTS	157 365	65 345

There are no significant unavailable cash and cash equivalents.

17. Assets classified as held for sale

IN '000 €	2017	2018
BALANCE AT END OF PREVIOUS PERIOD		2 670
Transfer from/to assets classified as held for sale		4 422
Acquisitions through business combinations	2 670	
Effect of exchange rate fluctuations		-102
BALANCE AT END OF CURRENT PERIOD	2 670	6 991

The assets held for sale increased by € 4.3 million during 2018. This increase is mainly related to the offices in the complex in 's-Hertogenbosch (NL), which were put up for sale in 2018. The transfer to assets held for sale was made at construction value (€ 4.2 million). The building in Kamloops was also put up for sale in the course of 2018. The transfer to assets held for sale is included for an amount of € 0.3 million. The sale in Kamloops is expected to be completed on 28 March 2019. The increase was partially offset (€ -0.1 million) by an effect of exchange rate movements on Canadian assets held for sale since 2017.

At the time of the acquisition of Landmark Cinemas at the end of 2017, two complexes were classified as assets held for sale: Fort McMurray (€ 2.3 million) and Weyburn (€ 0.4 million). 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 Group is taking concrete actions to sell these assets, and expects them to be sold within the year.

With regard to the complex in Fort McMurray, the Group is building a new, larger complex in the vicinity of the current complex. The old complex will be offered for sale after the opening of the new complex in August 2018.

18. Equity

The various components of equity, as well as the changes between 31 December 2018 and 31 December 2017, are set out in the consolidated statement of changes in equity.

ISSUED CAPITAL

The share capital of the Company at 31 December 2018 was € 19.0 million (2017: € 19.0 million), represented by 27 365 197 ordinary shares without nominal value (2017: 27 365 197 shares). All shares are paid up in full. The share premium at 31 December 2018 was € 1.2 million (2017: € 1.2 million). The ordinary shares are entitled to a dividend, and the holders of these shares are entitled to cast one vote at the Company's shareholder meetings.

TREASURY SHARES RESERVE

On 19 October 2012, the Extraordinary General Meeting approved another authorisation 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 authorisation. This authorisation is valid for a term of five years, and can be renewed. No shares were sold pursuant to the exercise of options (2017: 0 – € 0.0 million). In addition, no shares were cancelled in 2018 (2017: 0 shares – € 0.0 million).

The Extraordinary General Meeting of 11 May 2016 authorised the Board of Directors to buy back 410 958 shares of the company to cover the new options to be issued. Under the 2016 Share Option Plan, the Board of Directors decided on 22 December 2017 to buy back up to 360 000 shares through the grant of a discretionary mandate to an agent, either on the stock exchange or outside of it, between 15 January 2018 and 30 September 2018, whereby block trades can be considered as well during open periods.

The procurement programme, which started on 15 January 2018, was terminated on Tuesday, 12 June 2018. As part of the discontinued repurchase program, Kinopolis Group has purchased 360 000 shares for a total amount of € 20 302 894.16. The total number of own shares on 31 December 2018 amounts to 492 346 (2017: 132 346). These shares will be used for the current 2016 option plan.

HEDGING RESERVE

The hedging reserve contains the effective portion of the cumulative net change in the fair value of the cash flow hedges for which the hedged future transaction has not yet occurred.

TRANSLATION DIFFERENCES

The translation differences include all exchange rate differences resulting from the translation of the financial statements of foreign entities. The increase in 2018 is mainly explained by the translation differences for the integration into the consolidation of the Canadian subsidiaries, and the related strong exchange rate evolution of the Canadian dollar against the Euro. In addition, some long-term loans with Switzerland, Poland and Canada are considered as a net investment hedge for the participation in the same subsidiaries. Consequently, the translation differences on these loans were included in equity under the unrealised results.

SHARE-BASED PAYMENTS RESERVE

A total of 420 000 options were allocated on 31 December 2018 (2017: 396 500 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 TO SHAREHOLDERS

On February 21, 2019, a gross dividend of € 92 cents per share entitled to dividend was proposed for the 2018 financial year (€ 91 cents was paid in 2017). Based on the number of shares entitled to dividend at the date of publication of this annual report, this means a gross dividend of € 24.7 million (2017: € 24.5 million). This dividend has not yet been approved by the Company's General Meeting of Shareholders, and is therefore not yet recognised in the consolidated financial statements.

NON-CONTROLLING INTERESTS

The participation of Kinopolis Group in Landmark Cinemas Holdings, and consequently in Landmark Cinemas Canada, has fallen from 100% to 99.02% since July 2018. This decrease is explained by the co-investment rights received by two members of the management of Landmark Cinemas (see note 10).

19. Earnings per share

BASIC EARNINGS PER SHARE

The calculation of the profit per share is based on the profit of € 47.4 million, attributable to the ordinary shareholders (2017: € 49.1 million), and on a weighted average of the number of ordinary shares outstanding during the financial year, of 26 936 217 (2017: 27 232 851).

DILUTED EARNINGS PER SHARE

The calculation of the diluted earnings per share is based on the profit of € 47.4 million attributable to the ordinary shareholders (2017: € 49.1 million) and on a weighted average of the number of diluted ordinary shares outstanding during the financial year of 27 010 648 (2017: 27 268 051).

IN '000 UNLESS INDICATED OTHERWISE	2017	2018
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	49 067	47 356
Weighted average number of ordinary shares	27 233	26 936
Effect of options	35	74
Weighted average number of diluted shares	27 268	27 011
BASIC EARNINGS PER SHARE (IN €)	1.80	1.76
DILUTED EARNINGS PER SHARE (IN €)	1.80	1.75

20. Share-based payments

SHARE OPTION PLAN

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

It was decided to set the exercise price at the average closing price of the Kinopolis share over 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. As at 28 February 2017, a total of 396 500 options were allocated.

On 31 December 2017, a total of 23 500 options were offered to the executive management of Landmark Cinemas. These were granted in full on 5 January 2018. No options were exercised in 2018 (2017: 0).

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	12/2016 ⁽¹⁾	12/2017
Fair value of allocated options	7.30 / 9.71	12.91
Share price at grant date	44.19 / 48.29	57.30
Exercise price	41.55	48.25
Expected volatility	23.43% / 23.53%	25.45%
Original expected term (in years)	8	7
Expected dividend growth	7.86%	7.86%
Risk-free interest rate	-0.14%	0.01%

(1) Due to the evolution of the share price during the period of acceptance, two fair values were calculated for the allocated options, based on above listed parameters.

The options are exercisable for the first time during the first exercise period that falls in the fourth calendar year after the year in which the options were offered to the participants. The options only become unconditional once the other party has been employed for a certain period.

The options granted in 2017 can be permanently acquired in tranches. The first tranche of 16.66% was acquired at the time of their granting. The other tranches of 16.66% per year during the five years after their grant date. The options granted in 2018 can be permanently acquired in tranches. The first tranche of 20% was acquired at the time of their granting. The other tranches of 20% per year during the four years after their grant date.

AMOUNTS IN €, UNLESS STATED OTHERWISE	2017		2018	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
OUTSTANDING OPTIONS AT END OF PREVIOUS PERIOD			396 500	
Options allocated during the year	396 500	9.13	23 500	12.91
Options exercised during the year				
Options forfeited during the year			-3 000	
OUTSTANDING OPTIONS AT END OF CURRENT PERIOD	396 500	9.13	417 000	9.34

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 €	2017	2018
Private placement of bonds	221 000	221 000
Public bond	75 000	15 878
Unguaranteed loans and borrowings with credit institutions	40 454	30 355
Leasing and similar liabilities	7 392	6 820
Transaction costs refinancing	-1 739	-1 376
TOTAL	342 106	272 677

CURRENT LOANS AND BORROWINGS

IN '000 €	2017	2018
Public bond		59 122
Leasing and similar liabilities	774	570
Other loans and borrowings	39 099	10 098
TOTAL	39 873	69 790

The Kinopolis Group issued a € 75 million bond in March 2012, with maturity in March 2019. The bond was partially

extended until June 2023 in June 2015. € 59.1 million will be reimbursed in March 2019.

In January 2015, the Group concluded a private placement of bonds with institutional investors for an amount of € 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.

On December 31, 2018, € 40.5 million (2017: € 50.6 million) was withdrawn from the unsecured credit agreement with

a total original amount of € 156.6 million, of which € 130.5 million remains at the end of 2018.

The transaction costs for the refinancing in 2012, 2015 and 2017 were € -3.2 million, and are recognised in the income statement over the term of the non-guaranteed credit agreement and the public bond. The amount not taken into the result is deducted from the interest-bearing loans.

The outstanding Commercial Paper debt at the end of 2018 was € 0.0 million (2017: € 29.0 million). This amount is part of other loans and borrowings. The outstanding Commercial Paper debt was repaid in January 2018.

RECONCILIATION BETWEEN THE MOVEMENT OF THE FINANCIAL LIABILITIES AND THE CONSOLIDATED STATEMENT OF CASH FLOW

IN '000 €	EXPLANATION	LOANS & BORROWINGS		EQUITY			TOTAL
		LOANS AND BORROWINGS	FINANCIAL LEASE LIABILITIES	SHARE-BASED PAYMENTS RESERVE	RETAINED EARNINGS	NON-CONTROLLING INTERESTS	
BALANCE AT 31/12/2017		373 813	8 166	-2 527	158 752		538 204
Cash from financing activities							
Repayment of loans and borrowings		-39 100	-776				-39 876
Interest paid	7	-10 029	-273				-10 302
Interest received	7				15		15
Repurchase and sale of own shares	20			-20 303			-20 303
Acquisition/sale of non-controlling interests	18				292	161	453
Dividends paid	18				-24 533		-24 533
NET CASH- USED IN / + FROM FINANCING ACTIVITIES		-49 129	-1 049	-20 303	-24 226	161	-94 546
Other adjustments							
Interest expenses	7	9 737	273				10 010
Refinancing cost		364					364
Capitalised interest costs	7	345					345
Accrued interest 2018		-53					-53
Total other adjustments		10 393	273				10 666
Total other equity adjustments					47 346	53	47 399
BALANCE AT 31/12/2018		335 077	7 390	-22 830	181 872	214	501 723

FINANCE LEASE LIABILITIES

The digital projectors that have been sold and then leased back from a third party since 2010 account for € 0,0 million of the non-current lease debt and € 0.1 million of the current lease debt (2017: € 0.3 million), respectively. No new digital projectors were purchased and leased back since 2014.

The lease of the complex in Groningen (NL), which was acquired in 2014, was classified as a finance lease and is included for € 0.5 million (2017: € 0.5 million) in the short-term and € 6, 8 million (2017: € 7.2 million) of the long-term lease obligations, respectively.

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

FUTURE MINIMUM LEASE PAYMENTS

IN '000 €	2017			2018		
	PAYMENTS	INTEREST CHARGES	CAPITAL	PAYMENTS	INTEREST CHARGES	CAPITAL
Less than one year	1 047	-273	774	821	-251	570
Between one and five years	3 012	-965	2 047	2 962	-879	2 083
More than five years	6 224	-879	5 345	5 483	-747	4 737
TOTAL	10 283	-2 117	8 166	9 266	-1 877	7 390

22. Provisions

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

UNFAVOURABLE LEASES

A provision was recognised with regard to the unfavourable lease on the Utopolis cinema complex in Almere (NL) when Utopolis was acquired. At 31 December 2018, the provision was € 4.4 million (2017: € 4.6 million). The provision was updated at year-end, taking the current and market-based rent into account. The remaining duration of the contract (11 years) was hereby also taken into account.

In 2017, at the time of the acquisition of Landmark Cinemas, a € 2.3 million provision was recognised with regard to the unfavourable lease contracts of the cinema complexes in Edmonton, Kingston, West Kelowna and Kitchener. This provision amounted to € 1.7 million on 31 December 2018. In addition, the investment contributions to be transferred with this acquisition were recognised as a provision for unfavourable lease contracts. This provision

amounted to € 8.1 million on 31 December 2018 (2017: € 9.3 million).

SITE RESTORATION

The lease on the Brussels (BE) cinema complex on the land owned by the City of Brussels ends in 2025. The Company has a contractual obligation to restore the land to its original state.

At 31 December 2018, the provision for the demolition of the building and the reinstatement of the land to its original state was € 1.3 million (2017: € 1.2 million).

DISPUTES

At 31 December 2018, the provision for disputes was € 1.0 million (2017: € 1.8 million). These relate to disputes regarding personnel matters and disputes from third parties for the purpose of obtaining compensation. When these provisions will be used or taken back depends on the outcome of the related legal disputes, and is therefore uncertain.

IN '000 €	2017	2018
BALANCE AT END OF PREVIOUS PERIOD	8 030	19 627
Additions of provisions	755	210
Discounting of provisions	935	38
Use of provisions	-1 552	-1 714
Reversal of provisions	-338	-880
Provisions from business combinations	11 734	
Foreign currency effect	62	-474
BALANCE AT END OF CURRENT PERIOD	19 627	16 806
Balance at end of current period (non-current)	17 118	14 565
Balance at end of current period (current)	2 509	2 241
TOTAL	19 627	16 806

23. Trade and other payables

NON-CURRENT OTHER PAYABLES

IN '000 €	2017	2018
Transferable income – CNC	6 676	6 735
Leasehold inducements Canada		3 252
Other payables	1 278	990
TOTAL	7 954	10 977

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 (2017: € 6.7 million) are recognised as other operating income in line with the

depreciation of the assets for which these grants were obtained.

In addition, the other non-current payables also include the leasehold inducements to the leased buildings in Canada, mainly to the buildings in Kanata and Whitby.

CURRENT TRADE AND OTHER PAYABLES

IN '000 €	2017	2018
Trade payables	82 918	83 461
Employee benefits liabilities	11 150	11 539
Accrued charges and deferred income	5 732	5 498
Taxes payable, other than income taxes	6 762	5 244
Other payables	1 736	586
TOTAL	108 298	106 328

ACCRUED CHARGES AND DEFERRED INCOME

On 31 December 2018, the accrued interest expenses with respect to the public and private bonds issued were

€ 5.4 million (2017: € 5.3 million). The deferred income was € 0.1 million (2017: € 0.4 million).

24. Current tax assets and liabilities

IN '000 €	2017	2018
Current tax assets	841	2 416
Current tax liability	7 725	5 337

The current tax assets amount to € 2.4 million (2017: € 0.8 million) and mainly relate to advance payments (€ 0.5 million) and disputed tax claims in France (€ 0.8 million) and overpaid advance payments in Belgium (€ 0.8 million) and the Netherlands (€ 0.2 million).

Current tax liabilities have decreased from € 7.7 million to € 5.3 million, mainly due to higher prepayments compared to the previous year.

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 risks and foreign currency risks arising from the Group's activities and its sources of financing.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. It is Group policy to negotiate the terms of the derivative financial instruments to match the terms of the hedged item, so as to maximise hedge effectiveness.

It is Group policy not to undertake any trading positions in derivative financial instruments.

The Board of Directors investigates and approves policies for managing each of these risks. These policies are summarised below. The accounting treatment of the derivative financial instruments is included in the accounting policies.

INTEREST RATE RISK

The Group's exposure to market risk arising from changes in interest rates primarily relates to the Group's current and non-current loans and borrowings.

Group policy is to manage interest rate expenses with a mixture of fixed and variable interest rate liabilities. To manage this mix in a cost-efficient manner, the Group 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 IFRS 9 hedge accounting. The effective portion of the change in fair value of the interest rate swap, which can be considered to be an effective hedge, is therefore recognised directly in equity. The total changes in the fair value of the interest

rate swaps before deferred tax and recognised in equity gives rise to a € 0.0 million increase in equity on December 31, 2018 (2017: an increase in equity by € 0.1 million).

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

On 31 December 2018, taking into account the effect of interest rate swaps, 95.14% of the Group's borrowings had been contracted at a fixed interest rate (2017: 94.6% at a fixed interest rate).

INTEREST RATE RISK SENSITIVITY ANALYSIS

The interest-bearing loans at the balance sheet date were € 342.5 million (2017: € 382.0 million). € 40.5 million or 11.8% of the interest-bearing loans have a variable interest rate, without taking into account the effect of the interest rate swaps (2017: € 50.5 million or 13.2%).

Total interest charged to the income statement in 2018 was € 10.4 million (2017: € 7.8 million).

The loan of € 41.6 million with variable interest was fixed with an interest rate swap at the beginning of 2016. The outstanding balance at the end of 2017 was € 23.7 million (2017: € 29.7 million).

FOREIGN CURRENCY RISK

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

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

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

Up to the moment of the acquisition of Landmark Cinemas in Canada, the sales of the group companies in currencies other than the functional currency were limited. The purchases of the Group's subsidiaries mainly concern the purchases of materials by the Group in US dollars and CAD dollars. On 31 December 2018, the group had no outstanding foreign currency contracts (2017: \$ 0 million) for the purposes of hedging this risk.

The 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 recognised in other comprehensive income, because these loans are considered to be part of the Group's net investment in these foreign entities. The following foreign exchange rate results were recognised directly in equity:

IN '000 €	2017	2018
Polish Zloty	-903	-1 096
Swiss Franc	528	859
Canadian dollar	-41	369
TOTAL	-416	133

The Group also incurs a foreign currency risk as a result of the inclusion in the consolidation of foreign companies that do not have the Euro as their functional currency

(Canada, Switzerland and Poland). This translation risk is not hedged. Only the Canadian dollar has a material effect,

SENSITIVITY ANALYSIS FOR FOREIGN CURRENCY RISK

1 EURO CORRESPONDS TO:	CLOSING RATE 31/12/2018	AVERAGE RATE 2018	THEORETICAL VOLATILITY	POSSIBLE CLOSING RATE 31/12/2018	POSSIBLE AVERAGE RATE 2018
Canadian dollar	1.5605	1.5294	10%	1.40 - 1.72	1.38 - 1.68
Polish Złoty	4.3000	4.2615	10%	3.87 - 4.73	3.84 - 4.69
Swiss Franc	1.1269	1.1550	10%	1.01 - 1.24	1.04 - 1.27

The above table states the possible changes in the exchange rates for the Canadian Dollar, the Polish Złoty and the Swiss Franc against the Euro, estimated on the basis of the theoretical volatility. The theoretical volatility has been determined based on the evolution of the exchange rates over the past 5 years.

If the Canadian Dollar, the Polish Złoty and the Swiss Franc were strengthened/weakened on the balance sheet date in proportion to the above possible exchange rate, and if we

kept all other variables constant, the 2018 profit would be € 0,6 million lower (2017: € 0.9 million lower with a theoretical volatility of 20%) or would have been € 0.5 million higher (2017: € 0.6 million higher with a theoretical volatility of 20%), and the shareholders' equity would have been € 6,6 million higher or € 5,4 million lower at the end of 2018 (2017: € 17.2 million higher or € 11.5 million lower with a theoretical volatility of 20%). Only the Canadian Dollar has a material impact in the above sensitivity analysis.

CREDIT RISK

The credit risk with respect to trade receivables is the risk of financial loss to which the Group is exposed if a customer fails to meet his/her contractual obligations. IFRS 9, which is effective for annual periods beginning on or after 1 January 2018, replaces the model based on 'incurred losses' under IAS 39 by means of a model based on 'expected credit losses'. This requires considerable judgement concerning the impact of changes to economic factors in 'expected credit losses'.

Under IFRS 9, loss allowances will be determined on the following basis:

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

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

In order to assess the materiality of the provision for impairment losses, Kinopolis conducted an analysis over a six-year period (2013-2018). On average, the Group recognised 0,01% of total revenue which is 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 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 € 112.8 million at 31 December 2018 (2017: € 204.3 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 to guarantee the continuity and flexibility of the financing, including bonds, credit lines, bank

loans and financial leases. The Group's liquidity is managed through the in-house bank, Kinopolis Financial Services nv. The Group's financing objective is to align the term of its credit lines with the timing of the assumed liabilities relating to the expansion.

CAPITAL MANAGEMENT

Board of Directors' policy is aimed at maintaining a strong capital position in order to retain the confidence of investors, lenders and markets and to safeguard the future development of the business activities. The Board of Directors monitors the return on equity, which is defined by the Group as the operating profit divided by equity, excluding non-controlling interests. The Board of Directors also monitors the level of the dividend payable to the shareholders.

The Board of Directors seeks a balance between the higher return that is potentially available with a higher level of borrowing on the one hand, and the benefits and security of a solid equity position on the other. In seeking this balance, the Board of Directors' objective is to achieve the pre-defined level of the net financial debt with regard to EBITDA, and net financial debt with regard to equity ratios.

The Board of Directors believed that the ratios of net financial debt to equity and net financial debt to EBITDA were at risk of becoming too low as from mid 2010, and therefore proposed to the General Meeting the reduction of share capital and the buyback and destruction of treasury shares with the aim of improving these ratios, and thereby create shareholder value. After approval by the Extraordinary General Meeting of May 20, 2011, the capital was therefore reduced by € 30.0 million and shares were purchased between 2011 and 2015, for the hedging of options on the one hand, and for cancellation on the other, which has taken place in the meantime. The expansion strategy of the Kinopolis Group was started in 2014 and, due to the success of this expansion program, the capital optimisation program was stopped in 2015. The group also continues to strive for a combination of a higher-than-average market return with a lower-than-average risk through the combination of its strategic pillars with an expansion strategy based on improvement potential, and a cautious financial policy with regard to the debt ratio, taking the real estate position of the group into account. The Group held 132,346 treasury shares at the end of 2016. 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 current option plan.

The Group held 132,346 treasury shares at the end of 2017. No shares were bought back in 2017.

The Kinopolis Group bought 360,000 shares for a total amount of € 20,302,894.16 in 2018. The total number of own shares on 31 December 2018 amounts to 492,346 (2017: 132,346). These shares are intended to cover the Group's current stock option plan.

FINANCIAL INSTRUMENTS

DEBT PORTFOLIO

On 15 February 2012, within the framework of the refinancing of its existing syndicated credit and the financing of the further general development of the Group, the 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. € 40.5 million had been taken up as at 31 December 2018 (2017: € 50.6 million). In May 2016, the term of the existing credit agreement for € 90.0 million was extended by one year, to June 2021.

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, the 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 the Kinopolis Group nv with a nominal value of € 1,000, a gross nominal interest of 4.0% per year and a term of 8 years, with maturity date on 9 June 2023 (the 'New Bonds'). Bonds for a total value of € 15.9 million were exchanged.

In January 2015, the Group concluded a private placement of bonds with institutional investors for an amount of € 96.0 million: € 61.4 million was placed with a term of 7 years, 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 expansion, by increasing the diversification of the sources of financing and by refinancing the existing credits.

In December 2017, the Group concluded a private placement of bonds with institutional investors for an amount of € 125.0 million: € 60.0 million was placed with a term of 8 years, and € 65.0 million with a term of 10 years. A fixed annual gross interest is paid on both bonds. This private placement was primarily used to finance the acquisition of Landmark Cinemas in Canada.

No securities were provided. Only a number of conditions apply with regard to the sale or provision of certain of the Group's assets to a third party as security. This agreement includes certain financial covenants, including a maximum leverage ratio of 3.5, a minimum interest coverage ratio of 4.5 and a minimum solvency ratio of 20%, in addition to a number of potentially restrictive commitments that restrict or prohibit certain trading transactions. All these covenants were met in 2018, as they were in 2017. The covenant analysis also shows that there is still sufficient financial room available.

The application of IFRS 16 will have no impact on the financial covenants. A required change of accounting standards cannot have any 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. The average interest rate in 2018 was 2.98%. After the repayment of the retail bond on 6 March 2019, this reduces further to 2.60%. As the vast majority (more than 95%) of the loans are at a fixed interest rate, no sensitivity analysis was performed for the remaining variable part.

A sale and leaseback agreement was concluded for a maximum amount of € 17.5 million in late 2010. Under this agreement, Kinopolis sells tangible fixed assets and then leases them back for a term of six years. This facility provides an additional alternative to long-term bank financing. € 0.1 million was outstanding as at 31 December 2018 (2017: € 0.3 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 start of the new contract was determined by discounting the future rental payments of the Group on the basis of the marginal interest rate of the Group, as the implicit interest rate of the lease was not available. This debt amounted to € 7.3 million on 31 December 2018 (2017: € 7.7 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 2018, including the estimated interest payments:

IN '000 €	2018			
	< 1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL
Private placement of bonds	6 069	84 016	172 191	262 276
Bond	62 565	18 418		80 984
Trade payables	83 461			83 461
Loans and borrowings with credit institutions	10 600	31 106		41 706
Lease liabilities	821	2 962	5 483	9 266
Bank overdrafts	36			36
Non-derivative financial liabilities	163 552	136 502	177 674	477 729
Interest rate swaps		211		211
Subtotal of derivative financial instruments		211		211
TOTAL	163 552	136 713	177 674	477 940

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 of derivative financial instruments		214		214
TOTAL	133 278	195 505	199 339	528 122

In respect of interest-bearing loans and borrowings with a variable interest rate, the following table shows the periods within which they re-price.

IN '000 €	2017		2018	
	TOTAL	< 1 YEAR	TOTAL	< 1 YEAR
Loans and borrowings with credit institutions	50 552	10 098	40 454	10 099
Bank overdrafts	33	33	36	
TOTAL	50 585	10 131	40 490	10 099

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 the closing date. The amounts given in this table are the notional values.

IN '000 €	2018			
	< 1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL
Interest rate swaps	5 949	17 805		23 754
TOTAL	5 949	17 805		23 754

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

FAIR VALUE

The fair value is the amount at which an asset can be traded or a liability settled in an orderly transaction between well-informed, willing parties, following the *arm's length* principle.

The following table discloses the clean fair value and the carrying amount of the main interest-bearing financial loans and borrowings (measured at amortised cost).

IN '000 €	2017		2018	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Private placement of bonds – fixed interest rate	221 000	224 425	221 000	224 008
Public bond – fixed interest rate	75 000	80 826	75 000	78 943
Interest-bearing loans – variable interest rate	50 552	50 552	40 454	40 454
Interest-bearing loans – fixed interest rate	29 000	28 984		
Lease liabilities – fixed interest rate	8 167	8 452	7 390	7 648
Bank overdrafts	33	33	36	36
Transaction costs refinancing	-1 739	-1 739	-1 376	-1 376
TOTAL	382 013	391 549	342 504	349 712

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 0.34% (2017: 0.98%) for the part of the bond with a maturity date in 2019 and 2.19% for the part of the bond with a maturity date in 2023 (2017: 2.37%).

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 1.77% (2017: 1.36%) for the bond with a term of 7 years, and 2.48% (2017: 2.82%) for the part of the bond with a term of 10 years.

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 2.50% for the bond with a term of 8 years, and 2.96% for the part of the bond with a term of 10 years.

In order to measure the fair value of the lease liabilities (Level 2) by discounting the future cash flows, an interest rate of 2.68% was used for the leased complex in Groningen (NL) (2017: 2.89% for the leased complex).

The fair value of the other non-derivative financial assets (loans and receivables) and liabilities (measured at amortised cost) is equal to the carrying amount.

The following table gives the nominal or contractual amounts and the 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 €	2017		2018	
	NOMINAL VALUE	FAIR VALUE	NOMINAL VALUE	FAIR VALUE
Interest rate swap	29 702	-214	23 754	-211
TOTAL	29 702	-214	23 754	-211

The fair value of financial instruments related to the interest rate is determined by discounting the expected future cash flows, taking account of the current market interest rates and

the interest rate curve for the remaining life of the investment. There were no outstanding foreign exchange forward contracts at 31 December 2018.

The fair value of the derivative instruments is included in the Group's statement of financial position as follows (value before taxes):

IN '000 €	2017			2018		
	ASSETS	LIABILITIES	NET VALUE	ASSETS	LIABILITIES	NET VALUE
Non-current		-214	-214		-211	-211
TOTAL		-214	-214		-211	-211

The change of the fair value of the derivative financial instruments on the balance sheet is the following:

IN '000 €	NOMINAL AMOUNT	CARRYING AMOUNT		LINE ITEM IN THE STATEMENT OF FINANCIAL POSITION WHERE THE HEDGING INSTRUMENT IS INCLUDED	CHANGES IN THE VALUE OF THE HEDGING INSTRUMENT RECOGNISED IN OTHER COMPREHENSIVE INCOME
		ASSETS	LIABILITIES		
Interest swap rate	23 754		-211	Derivative financial instruments	2

At 31 December 2018, the fair value of the contingent considerations was € 1.7 million (2017: € 0.4 million).

The amount for 2018 relates to the acquisition of NH cinemas. Just before Christmas 2017, the Kinopolis Group reached an agreement on the acquisition of the NH Bioscopen cinemas in Schagen and Hoofddorp (NL), with control transferred on 1 January 2018. The transaction had an enterprise value of € 27.5 million, of which € 1.7 million was conditional. The conditional payment relates to whether or not a building permit is obtained for the Haarlem project. The unobservable significant input is obtaining the building permit.

FAIR VALUE – HIERARCHY

The following table provides an overview of financial instruments recognised at fair value by the valuation method. The different levels are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs that are not quoted market prices included in Level 1, and 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 €	2016			2017			2018		
	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									
Interest rate swaps		-333			-214				-211
Finance liabilities measured at fair value									
Contingent considerations			1 070			428			
TOTAL		-333	1 070		-214	428			-211

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	428
Utrecht Cinemas	- 428
BALANCE AT END OF CURRENT PERIOD	0

The fair value of the contingent consideration was € 0.4 million on 31 December 2017, and was related to the cinema in Utrecht. Following a new estimate of the actual number of visitors in Utrecht and due to the success of a competing cinema in the vicinity, the conditional reimbursement was reversed. The conditional reimbursement amounting to € 1.7 million related to the takeover of NH Bioscopen (see also note 10) has already been paid and is thus not included in

the balance sheet but is still subject to the condition of the receipt of the building permit.

SENSITIVITY ANALYSIS OF REAL VALUES AT LEVEL 3

The possible change in the significant unobservable input listed below, in which the other inputs remaining constant, would reasonably have the following effect on the fair value of the contingent consideration at the balance sheet date:

IN '000 €	2017	2018
10% increase in the projected number of visitors to the future cinema in Utrecht (NL)	214	
10% reduction in the number of visitors to the future cinema in Utrecht (NL)	-214	
Conditional reimbursement: NH cinemas: building permit obtained		1 700
Contingent considerations: NH cinemas: no building permit obtained		0

26. Operating lease

LEASES AS LESSEE

Non-cancellable operating lease rentals are payable as follows:

IN '000 €	2017	2018
Less than one year	25 815	26 865
Between one and five years	79 217	87 746
More than five years	109 001	128 525
TOTAL	214 034	243 136
Minimum lease payments in the income statement with regard to operating leases	10 187	28 582
Contingent lease payments in the income statement with regard to operating leases	515	504

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 rents one in the centre of Liège (BE). This lease has a duration of 9 years, which has been extended. 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 27 years in Belgium, 18 years in Luxembourg, and 32 and 45 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 2018 (2017: € 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 4 years (renewable). The rent is always fixed.

All buildings housing Dutch entities of the Group that 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 2 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 twice for 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 2018 (2017: € 0.2 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 11 and 3 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 2 and 7 years. The rent is always fixed.

The cinema in Rouen (FR), which was 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 complex in the 'Nevada' shopping centre 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 34 years. The rent is partly fixed and partly variable, based on the number of tickets sold.

The 'Palace' complex in Metz (FR), acquired in 2018, is leased for a term of 26 years. The rent is fixed. In 2018, a new complex was also opened in Brétigny, in the 'Les Promenades de Brétigny' retail park. The term of this rental contract is 12 years (renewable). The rental is variable, with a minimum amount.

Some of the complexes acquired in Canada in 2017 are owned by the Group. Thirty-five cinemas and two offices are also leased in Canada for a remaining period between

1 and 27 years (renewable). 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.

Finally, the Group rents all kinds of smaller material (for example, press containers). These contracts have a term of 5 years.

LEASES AS LESSOR

The Group has leased out parts of its property under operating leases. The future minimum lease payments under non-cancelable leases are as follows:

IN '000 €	2017	2018
Less than one year	7 986	8 764
Between one and five years	13 456	12 635
More than five years	6 306	4 192
TOTAL	27 749	25 591
Minimum lease payments in the income statement with regard to operating leases	9 181	9 408
Contingent lease payments in the income statement with regard to operating leases	1 052	1 164

The leases as lessor primarily concern the multiplex in Poznan' (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 2018 (2017: € 0.4 million).

The Group also leases part of its complexes to third parties for the exploitation of shops or cafés. These concessions have a term of 1 to 20 years (renewable), unless they are agreed for an undefined term.

Finally, the car parks of a number of complexes are leased for a period of 1 to 15 years (renewable) or for an indefinite term in Belgium, for a period of 9 years or for an indefinite term in Luxembourg or for an indefinite term in Poland and France. A fixed rent is charged for part of these car parks. The revenue from the other car parks is variable, based on the number of parking tickets sold, adjusted for management expenses.

27. Capital commitments

At the end of 2018, the Group had material capital commitments for € 7.9 million (2017: € 12.6 million). This mainly concerns commitments for the construction or finishing of new cinemas for € 6.0 million (2017: € 12.6 million) in Brétigny (FR), Montigny-lès-Metz (FR) and Regina (CA), the

remodelling of the cinema in Whitby (CA) and the recliner seats in Canada. Furthermore, this also relates to the commitments for the installation of 3D material in cinemas for € 1.9 million (2017: € 0.0 million).

28. Contingencies

KFD

At the end of 2018 the Group had unrecognised contractual obligations for € 2.3 million (2017: € 2.2 million). These are primarily minimum guarantee commitments of Kinepolis

Film Distribution nv toward Dutch Filmworks bv for films that were not yet released, but for which contractual obligations already exist.

29. Related parties

The transactions between the Group and its subsidiaries were eliminated in the consolidation, and are accordingly not

included in this note. The transactions with other related parties are explained below.

REMUNERATION OF THE DIRECTORS AND EXECUTIVE OFFICERS

IN '000 €	2017	2018
Directors		
Remuneration	412	782
Executive officers (CEOs)⁽¹⁾		
Short-term employee benefits	1 470	1 474
Group insurance	10	4
TOTAL	1 892	2 260

(1) Up to the date of the General Meeting of the Shareholders on 9 May 2018, Joost Bert was the CEO of the Group. He then became Chairman of the Group.

Under the Group's current 2016 stock option plan (Incentive Plan), no new options were granted to the Group CEO, the Chairman and the Vice-Chairman of the Board of Directors in 2018. They did participate in this in 2017 (180,000 options) (see note 20). For more information, please refer to the remuneration report in the Corporate Governance Statement.

TRANSACTIONS WITH OTHER RELATED PARTIES

Kinohold BIS sa provides certain administrative services to the Group, charging a market rate of € 0.2 million in 2018 (2017: € 0.3 million).

Pentascop nv provides a number of maintenance and transport services to the Group, for which it charged € 0.2 million in 2018 (2017: € 0.2 million). € 0.1 million had not yet been paid at the end of the year (2017: € 0.1 million).

30. Subsequent events

FURTHER DEVELOPMENTS WITH REGARD TO EASING THE BEHAVIOURAL CONDITIONS IMPOSED ON THE KINEPOLIS GROUP

In response to the request of Kinopolis Group nv for cancellation of the behavioural measures that were imposed on it in 1997 by the Belgian Competition Council, the Belgian Competition Authority decided on 31 May 2017 to relax these conditions and to no longer subject the opening of new cinemas in Belgium to its prior permission from 31 May 2019. The other behavioural measures, such as the need to obtain prior approval for the acquisition of existing Belgian cinemas and the prohibition to request exclusivity or priority from film distributors, have been maintained for a renewable period of three years. Two Belgian cinema groups appealed against the decision of the Belgian Competition Authority of 31 May 2017.

After the partial annulment of the decision of the Belgian Competition Authority of 31 May 2017 by the Court of Appeal in Brussels on 28 February 2018, which eased the conditions of conduct imposed on Kinopolis Group, the aforementioned Authority issued a new, well-founded decision on 26 April 2018. The decision confirmed the earlier relaxation of the conditions, whereby the opening of new cinema complexes in Belgium is no longer subject to the prior permission of the Competition Authority, but allows this to take effect from 26 April 2020. An appeal was again lodged against this decision of 26 April 2018.

Subsequently, the Brussels Court of Appeal ruled on 21 November 2018 in the proceedings concerning the decision of

the Belgian Competition Authority of 26 April 2018. The Court annulled the decision of 26 April 2018 on the grounds of procedural reasons, judging that the College (BMA) that took the aforementioned decision of 26 April 2018 had to be composed differently from the Board that took the previously annulled decision of 31 May 2017. Kinopolis submitted an updated petition for cancellation of the conditions in 2019, and expects a new decision from the BMA by the end of March 2019.

BELGIAN EXCESS PROFIT RULING (EPR)

On 11 January 2016, the European Commission published a decision that a purported regime of Belgian tax rulings with regard to 'Excess Profit' should be considered as illegal state aid. The decision of the European Commission obliges the Belgian government to make an additional claim for tax that would have been owed if such tax rulings had not been applied.

The Belgian tax authority has granted such a tax ruling to Kinopolis Group in 2012. As a consequence of the decision of the European Commission, and in accordance with IAS 12, Kinopolis has set up a provision of € 9.4 million in 2015 for a potential additional claim for tax on the excess profit that was not included in the taxable base due to the ruling. The amount fully covers the potential liability, including interest charges. In June 2016, the Belgian government issued several communications, which provide information on the methodology that should be used to determine the amount of the taxes to be recovered. The € 9.4 million EPR provision complies with the methodology communicated.

Disputed assessments were established for the financial years 2012, 2013 and 2014, and € 6.3 million has been paid. With respect to the fiscal year 2015, an assessment was established in January 2018 for € 3.0 million, which was already paid with the funds consigned in July 2017.

The Belgian government and Kinopolis lodged an appeal against the EPR Decision with the European Court of First Instance. These appeals resulted in a judgement of 14 February 2019, by which the European Court of First Instance annulled the EPR decision. The European Commission can appeal to the European Court of Justice against the aforementioned judgement up to the end of April 2019. This provision is not suspensive. If the European Commission does not appeal, or if an appeal is rejected by the European Court of Justice, the Belgian government must refund all the amounts paid to Kinopolis.

NEW, LONG-TERM COOPERATION WITH REALD FOR 3D EQUIPMENT

Kinopolis and RealD have announced a new partnership for RealD 3D equipment and 3D eyewear in France, Belgium, the Netherlands, Switzerland, Spain and Luxembourg. The agreement is part of a larger deal that also includes the Canadian Landmark Cinemas. This agreement amounts to € 1.9 million for Europe and € 2.1 for Canada.

RENOVATION OF THE LANDMARK CINEMA IN SHAWNESSY

Landmark Cinemas Canada has started renovating its cinema in Shawnessy, Calgary. In addition to a conversion of the theatres to the recliner seat concept, one of the theatres will offer the Kinopolis Laser ULTRA experience.

NEW CINEMA IN SERVON

Kinopolis will be opening a new cinema in the 'Eden' commercial zone in Servon (France) in the third quarter of 2019. The cinema is leased and has 9 screens with 1,208 seats. The building has already been completed, and will be outfitted and finished by Kinopolis in the coming months. Kinopolis expects to receive 400 000 visitors per year.

LANDMARK CINEMAS WORKING ON A NEW CINEMA IN REGINA

The opening of a new Landmark cinema in Regina, in the province of Saskatchewan (Canada), is planned for the third quarter of 2019. The cinema, which will have 8 screens and a total of 887 recliner seats, will be part of Aurora retail park, a new commercial centre offering a wide variety of entertainment, catering and shopping facilities.

ACQUISITION OF THE SPANISH CINEMA GROUP EL PUNT

Following approval by the Spanish competition authority, Kinopolis Group completed the acquisition of the 'Full' cinema in Barcelona and 'El Punt Ribera' in Valencia on 28 February 2019. Both cinemas are part of the El Punt cinema group, which is owned by the Sallent family.

The Full megaplex in Barcelona has 28 screens with a total of 2,689 seats and welcomes more than 1.3 million cinema-goers every year. The complex is leased and situated in the 'Splau' commercial centre in Cornellà de Llobregat, close to the airport and 14 km south of Barcelona. The 'Full' cinema complex is the flagship of the El Punt group: all screens boast high-quality 4K projectors and 19 screens have Dolby Atmos sound.

Cinema El Punt Ribera is located in a commercial district in Alzira, 44 km south of Valencia. The complex, the real estate of which is owned, has 10 screens – each featuring Dolby 7.1 sound – and 2,528 seats and attracts around 300,000 visitors annually.

As there is still insufficient financial information regarding the business combination with El Punt, the Group is not yet able to provide further explanations regarding the net identifiable assets and liabilities and any goodwill calculation.

SALE OF KAMLOOPS

In the course of 2018, the building in Kamloops, Canada, was put up for sale. The sale is expected to be completed on 18 April 2019 for an amount of \$ 1.0 million (CAD).

31. Mandates and remuneration of the Statutory Auditor

The Statutory Auditor for the Company is KPMG Bedrijfsrevisoren, represented by Mr. S. Cosijns.

The mandates and remunerations for the entire Group can be summarised as follows:

IN '000 €	2017	2018
Remuneration of the statutory auditor	292	316
Other audit-related services	106	22
Tax advisory services		
Other assignments outside the audit assignments	12	6
Remuneration for other services or assignments performed within the Company and its subsidiaries by the statutory auditor	118	28
Remuneration for persons associated with the statutory auditor for the performance of a mandate as statutory auditor	346	446
Other audit-related services		34
Tax advisory services	15	26
Other assignments outside the audit assignments		
Remuneration for other services or assignments performed within the Company and its subsidiaries by persons associated to the statutory auditor	15	60
TOTAL	771	850

32. Companies belonging to the Group

LIST OF THE FULLY CONSOLIDATED COMPANIES

COUNTRY	NAME	MUNICIPALITY	VAT OR ENTERPRISE NUMBER	% 2017	% 2018
Belgium	Brightfish nv	Brussels	BE 0450 523 725	100	100
	Kinepolis Braine sa	Braine-L'alleud	BE 0462 688 911	100	100
	Kinepolis Film Distribution (KFD) nv	Brussels	BE 0445 372 530	100	100
	Kinepolis Financial Services nv	Brussels	BE 0886 547 831	100	100
	Kinepolis Group nv	Brussels	BE 0415 928 179	100	100
	Kinepolis Immo Hasselt nv	Hasselt	BE 0455 729 358	100	100
	Kinepolis Immo Multi nv	Brussels	BE 0877 736 370	100	100
	Kinepolis Liège nv	Hasselt	BE 0459 469 796	100	100
	Kinepolis Mega nv	Brussels	BE 0430 277 746	100	100
	Kinepolis Multi nv	Kortrijk	BE 0434 861 589	100	100
	KP Immo Brussel nv	Brussels	BE 0816 884 015	100	100
	Utopia Belgium nv	Brussels	BE 0466 339 772	100	100
Canada	Kinepolis Canada Ltd	Calgary	CA 2020 757 353	100	100
	Landmark Cinemas Holding Ltd	Calgary	CA 2020 757 536	100	99.02
	Landmark Cinemas Canada lp	Calgary	CA 2017 564 317	100	99.02
	Landmark Cinemas Canada gp	Calgary	CA 2017 564 317	100	100
France	Eden Panorama sa	Lomme	FR 02340483221	100	100
	Forum Kinepolis sa	Nîmes	FR 86421038548	100	100
	Kinepolis Bourgoin sa	Bourgoin-Jallieu	FR 65779487297	100	100
	Kinepolis France sas	Lomme	FR 20399716083	100	100
	Kinepolis Film Distribution France sas	Lomme	FR 43789848280	100	100
	Kinepolis Immo St-Julien-lès-Metz sas	Metz	FR 51398364463	100	100
	Kinepolis Immo Thionville sa	Thionville	FR 10419162672	100	100
	Kinepolis Le Château du Cinéma sas	Lomme	FR 60387674484	100	100
	Kinepolis Mulhouse sa	Mulhouse	FR 18404141384	100	100
	Kinepolis Nancy sas	Nancy	FR 00428192819	100	100
	Kinepolis Prospection sas	Lomme	FR 45428192058	100	100
	Kinepolis St. Julien-lès-Metz sas	Metz	FR 43398364331	100	100
	Kinepolis Thionville sas	Thionville	FR 09419251459	100	100
Utopolis Longwy sas	Longwy	FR 21432763563	100	100	
Luxembourg	Utopolis Belval sa	Luxembourg	LU 220 75 333	100	100
	Majestiek International sa	Luxembourg	LU 19942206638	100	100
	Utopia sa	Luxembourg	LU 160 90 380	100	100

COUNTRY	NAME	MUNICIPALITY	VAT OR ENTERPRISE NUMBER	% 2017	% 2018
Netherlands	Kinepolis Immo bv	Utrecht	NL 003182794B01	100	100
	Kinepolis Rotterdam bv	Utrecht	NL 808810261B01	100	100
	Kinepolis Bioscopen Holding bv	Utrecht	NL 822624382B01	100	100
	Kinepolis Enschede bv	Utrecht	NL 808883574B01	100	100
	Kinepolis Groningen bv	Utrecht	NL 816165774B01	100	100
	Kinepolis Huizen bv	Utrecht	NL 820697230B01	100	100
	Kinepolis Exploitatie bv	Utrecht	NL 819683036B01	100	100
	Kinepolis UBOS bv	Utrecht	NL 856681866B01	100	100
	Kinepolis Immo Schagen bv	Utrecht	NL 815246353B01	-	100
	Kinepolis Cinemagnus Schagen bv	Utrecht	NL 815293446B01	-	100
	Kinepolis Immo Hoofddorp bv	Utrecht	NL 821608563B01	-	100
	Kinepolis Cinemeerse Hoofddorp bv	Utrecht	NL821608666B01	-	100
	City Monumenten Utrecht bv	Utrecht	NL 002611375B01	-	100
	NH Haarlem bv	Utrecht	NL 855813593B01	-	100
	Cineschalkstad bv	Utrecht	NL 855814275B01	-	100
Utopia Nederland bv	Almere	NL 804687237B03	100	100	
Utrechtse Film Onderneming 'Ufio' bv	Utrecht	NL 003182812B01	100	100	
Poland	Kinepolis Poznań Sp.z o.o.	Poznań	NIP 5252129575	100	100
Spain	Kine Invest sa	Pozuelo de Alarcon	ESA 824 896 59	100	100
	Kinepolis España sa	Pozuelo de Alarcon	ESA 814 870 27	100	100
	Kinepolis Granada sa	Pozuelo de Alarcon	ESA 828 149 55	100	100
	Kinepolis Jerez sa	Pozuelo de Alarcon	ESA 828 149 22	100	100
	Kinepolis Madrid sa	Pozuelo de Alarcon	ESA 828 149 06	100	100
	Kinepolis Paterna sa	Pozuelo de Alarcon	ESA 828 149 14	100	100
Switzerland	Kinepolis Schweiz ag	Schaffhausen	CH 2903013216-5	100	100

CHANGES IN THE CONSOLIDATION SCOPE

NEW PARTICIPATING INTERESTS IN SUBSIDIARIES

The Kinepolis Group nv acquired control over NH Bioscopen in Schagen and Hoofddorp (NL) on 1 January 2018. In this context, Kinepolis took over the following companies: Kinepolis Immo Schagen bv (formerly Nieuwenhuizen Schagen bv), Kinepolis Cinemagnus Schagen bv (formerly CineMagnus bv), Kinepolis Immo Hoofddorp bv (formerly Nieuwenhuizen Hoofddorp bv), Kinepolis Cinemeerse Hoofddorp bv (formerly CineMeerse bv), NH Haarlem bv and Cineschalkstad bv.

On 20 July 2018, Kinepolis acquired the shares of Wolff Monumenten Utrecht B.V., including the City cinema building in Utrecht. This means that, on that same date, Kinepolis became the owner of the cinema building previously leased by the Group. To this end, the company was renamed as City Monumenten bv.

OTHER CHANGES

The participation of the Kinepolis Group in Landmark Cinemas Holding ltd. and Landmark Cinemas Canada lp decreased from 100% to 99.02% during the course of the financial year. As a result of this, the Kinepolis Group indicates a non-controlling interest in its balance sheet.

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 2018

FREE TRANSLATION OF UNQUALIFIED STATUTORY AUDITOR'S REPORT ORIGINALLY PREPARED IN DUTCH

In the context of the statutory audit of the consolidated financial statements of Kinopolis Group NV ("the Company") and its subsidiaries (jointly "the Group"), we provide you with our statutory auditor's report. This includes our report on the consolidated financial statements for the year ended 31 December 2018, as well as other legal and regulatory requirements. Our report is one and indivisible.

We were appointed as statutory auditor by the general meeting of 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 21 consecutive financial years.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

UNQUALIFIED OPINION

We have audited the consolidated financial statements of the Group as of and for the year ended 31 December 2018, 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 2018, the consolidated income statement, consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flow and consolidated changes in equity for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to EUR 680.854.(000) and the consolidated income statement shows a profit for the year of EUR 47.409.(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 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

BASIS FOR OUR UNQUALIFIED OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") as adopted in Belgium. In addition, we have applied the ISAs as issued by the IAASB applicable for the current accounting year while these have not been adopted in Belgium yet. Our responsibilities under those standards are further described in the "Statutory auditors' responsibility for the audit of the consolidated financial statements" section of our report. We have complied with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including the independence requirements.

We have obtained from the board of directors and the Company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of intangible assets (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 78% of the Group's total assets as of December 31, 2018. 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.

When performing our audit we comply with the legal, regulatory and professional requirements applicable to audits of the consolidated financial statements in Belgium.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also perform the following procedures:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by board of directors;
- conclude on the appropriateness of board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The board of directors is responsible for the preparation and the content of the board of directors' annual report on the consolidated financial statements, the statement of the non-financial information attached to the board of directors' annual report 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 (revised in 2018) 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.

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 'Corporate Social Responsibility' 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. In accordance with art 148 §1,5° of the Belgian Companies' Code, we do not comment on whether this non-financial information has been prepared in accordance with ISO26000 mentioned in the board of directors' annual report on the consolidated financial statements.

INFORMATION ABOUT THE INDEPENDENCE

- Our audit firm and our network have not performed any engagement which is incompatible with the statutory audit of the consolidated accounts and our audit firm remained independent of the Group during the term of our mandate.
- The fees for the additional engagements which are compatible with the statutory audit referred to in article 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, 29 March 2019

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
Statutory Auditor
represented by

Serge Cosijns
Réviseur d'Entreprises / Bedrijfsrevisor



Condensed financial statements of the Kinopolis Group nv

The following information is an extract from the unconsolidated financial statements of the 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 the Kinopolis Group nv.

As the 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 the Kinopolis Group nv. The Board of Directors has therefore deemed it appropriate to present only a condensed unconsolidated balance

sheet and income statement, prepared according to the Belgian accounting principles for the year ended 31 December 2018.

The statutory auditor's report on these statements is unqualified and confirms that the unconsolidated financial statements of the Kinopolis Group nv, prepared in accordance with Belgian accounting principles for the year ending 31 December 2018, give a true and fair view of the financial position of the Kinopolis Group nv in accordance with all legal and regulatory provisions.

The unconsolidated financial statements of the Kinopolis Group nv can be obtained free of charge from the website of the National Bank of Belgium (www.nbb.be), in the 'Balanscentrale' section, subsection 'Jaarrekeningen raadplegen', or be requested free of charge from Investor Relations.

CONDENSED UNCONSOLIDATED BALANCE SHEET OF THE KINEPOLIS GROUP NV

IN '000 €	2017	2018
Fixed assets	411 897	413 222
Intangible fixed assets	5 155	5 519
Property, plant and equipment	6 682	2 571
Financial fixed assets	400 060	405 133
Current assets	34 623	60 646
TOTAL ASSETS	446 520	473 868
Equity	70 819	83 956
Issued capital	18 952	18 952
Share premium	1 154	1 154
Legal reserves	1 895	1 895
Unavailable reserves	2 526	20 095
Available reserves	7 050	7 050
Profit carried forward	39 240	34 810
Provisions and deferred taxes	99	
Non-current loans and borrowings	297 354	280 993
Current loans and borrowings	64 842	95 343
Accrued charges and deferred income	13 406	13 575
TOTAL EQUITY AND LIABILITIES	446 520	473 868

CONDENSED UNCONSOLIDATED INCOME STATEMENT OF THE KINEPOLIS GROUP NV

IN '000 €	2017	2018
Operating income	94 493	97 344
Operating expenses	41 273	43 602
OPERATING PROFIT	53 220	53 742
Financial result	-13 173	-3 032
Current tax expenses	-13 812	-12 849
GAIN/(LOSS) FROM THE FINANCIAL YEAR FOR APPROPRIATION	26 235	37 861

PROFIT APPROPRIATION OF THE KINEPOLIS GROUP NV

IN '000 €	2017	2018
Gain/(loss) from the fiscal year for appropriation	26 235	37 861
Profit carried forward from previous financial year	37 538	39 240
Transfer from equity:		
- to the legal reserves		17 568
Profit to be carried forward	39 240	34 810
Dividend	24 533	24 723

MANDATES AND REMUNERATION OF THE STATUTORY AUDITOR OF THE KINEPOLIS GROUP NV

IN '000 €	2017	2018
Remuneration for the statutory auditor for the performance of a mandate as statutory auditor	274	211
Other audit-related services		
Tax advisory services		
Other assignments outside the audit assignments	9	6
Remuneration for exceptional work or special assignments performed within the Company by the statutory auditor(s)	9	6
Other audit-related services		
Tax services	15	26
Other assignments outside the audit assignments		
Remuneration for other services or assignments performed within the Company by persons associated to the statutory auditor	15	26
TOTAL	298	243

Reconciliation

NON-RECURRENT ITEMS

IN '000 €	2017	2018
Dismissal fees	-0.8	-0.5
Legal fees	-1.6	-0.3
Expansion costs	-0.5	-0.8
Gain / Loss on disposal PPE	1.7	-0.3
Others	-0.1	0.3
EBITDA	-1.2	-1.8
Depreciations and Impairment losses	0.0	-0.5
Provisions	0.0	0.5
Financial result	0.6	0.4
Income tax expenses	4.8	1.2
NET IMPACT OF NON-RECURRENT ITEMS	4.3	-0.1

RECONCILIATION OF RECURRENT PROFIT

IN '000 €	2017	2018
Operating profit	72 915	79 130
Financial result	-8 213	-12 371
Profit before tax	64 702	66 759
Income tax expenses	-15 635	-19 350
Profit of the period	49 067	47 409
Impact non-recurring items	-4 322	113
Recurring profit of the period	44 745	47 522

RECONCILIATION REBITDA VS EBITDA

IN '000 €	2017	2018
Operating profit	72 915	79 130
Depreciations and amortisation	31 039	39 039
Provisions and impairments	-768	-982
EBITDA	103 186	117 187
Impact non-recurring items	1 106	1 812
REBITDA	104 292	118 999

RECONCILIATION (R)EBITDAR VS (R)EBITDA

IN '000 €	2017	2018
EBITDA	103 186	117 817
Rental costs related to complexes	10 608	27 909
EBITDAR	113 794	145 096
Impact non-recurring items	1 106	1 812
REBITDAR	114 900	146 908

RECONCILIATION OF NET FINANCIAL DEBT

IN '000 €	2017	2018
Financial debt	382 012	342 503
Cash and cash equivalents	-157 398	-65 381
Tax shelter investments	-304	-304
Net financial debt	224 310	276 818

RECONCILIATION FREE CASH FLOW

IN '000 €	2017	2018
Cash flow from operating activities	101 435	113 360
Income taxes paid	-24 149	-22 382
Maintenance capital expenditures for intangible assets, property, plant and equipment and investment property	-10 590	-15 944
Interest paid	-7 320	-10 287
Free cash flow	59 376	64 747

RECONCILIATION ROCE

IN '000 €	2017	2018
Operating profit	72 915	79 130
Impact of non-recurrent items	-1 069	-1 764
REBIT	73 984	80 894
Average non-current assets	469 319	536 334
Average deferred tax assets	1 042	1 305
Average assets held for sale	1 335	4 830
Average trade receivable	28 541	34 118
Average inventories	5 021	4 834
Average trade payables	75 651	83 189
Capital employed	427 524	495 623
RETURN ON CAPITAL EMPLOYED (ROCE)	17.3 %	16.3 %

RECONCILIATION CURRENT RATIO

IN '000 €	2017	2018
Current assets	206 437	122 704
Current liabilities	158 438	183 732
CURRENT RATIO	1.30	0.67

RECONCILIATION CAPITAL EXPENDITURE

IN '000 €	2017	2018
Acquisition of intangible assets	1 908	2 872
Acquisition of property, plant and equipment and investment property	30 861	58 332
Acquisition of subsidiaries, net of cash acquired	83 506	27 493
Total capital expenditure according to the consolidated statement of cash flow	116 275	88 697
Current other receivables when acquiring the cinema 'Palace' in Metz		287
Total capital expenditure	116 275	88 984

Glossary

The glossary below also contains *Alternative Performance Measures* (APM's) that are aimed to improve the transparency of the financial information.

Gross profit

Revenue – Cost of sales

Operating profit (EBIT)

Gross profit – marketing and selling expenses - administrative expenses + other operating income - other operating expenses

Recurring operating profit (REBIT)

Operating profit after eliminating non-recurring transactions; is used to reflect the operating profit from normal operating activities

EBITDA

Operating profit + depreciations + amortizations + impairments + movements in provisions

Recurring EBITDA (REBITDA)

EBITDA after eliminating non-recurring transactions; is used to reflect the EBITDA from normal operating activities

EBITDAR

EBITDA after eliminating rental costs related to complexes; improves the comparability of results before and after the acquisition of Canadian activities

REBITDAR

REBITDA after eliminating rental costs related to complexes; improves the comparability of results before and after the acquisition of Canadian activities

Non-recurring transactions

This category includes primarily results from the disposal of fixed assets, impairment losses on assets, provisions, costs from restructuring and takeovers and other exceptional income and expenses.

Rental costs related to complexes

Rental cost of the cinema complex

Financial result

Finance income - finance expenses

Effective tax rate

Income tax expense / profit before tax

Recurring profit

Profit for the period after eliminating non-recurring transactions; is used to reflect the profit from normal operating activities

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)

Dividend

Payment of the profit of a company to its shareholders

Pay-out ratio

The pay-out ratio indicates which part of the net profit is being paid to the shareholders

Capital expenditure

Capitalized investments in intangible assets, property, plant and equipment and investment property

Gross financial debt

Financial liabilities on the long and short term

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 receivables + average inventory – average trade payables)

Current Ratio

Current assets / current liabilities

Free cash flow

Cash flow from operating activities – maintenance capital expenditures for intangible assets, property, plant and equipment and investment property – interest paid

Financial calendar 2019-2020

<p>WEDNESDAY</p> <p>8</p> <p>May 2019</p> <p>PUBLICATION BUSINESS UPDATE Q1 2019</p>	<p>WEDNESDAY</p> <p>8</p> <p>May 2019</p> <p>GENERAL MEETING KINEPOLIS GROUP NV</p>	<p>TUESDAY</p> <p>14</p> <p>May 2019</p> <p>PAYMENT DIVIDEND</p>
<p>THURSDAY</p> <p>22</p> <p>Aug 2019</p> <p>PUBLICATION H1 2019 RESULTS PRESENTATION TO PRESS AND ANALYSTS</p>	<p>THURSDAY</p> <p>14</p> <p>Nov 2019</p> <p>PUBLICATION BUSINESS UPDATE Q3 2019</p>	<p>THURSDAY</p> <p>20</p> <p>Feb 2020</p> <p>PUBLICATION 2019 ANNUAL RESULTS PRESENTATION TO PRESS AND ANALYSTS</p>

These dates are subject to change.

For adjustments to the financial calendar, please refer to the Investor Relations website:

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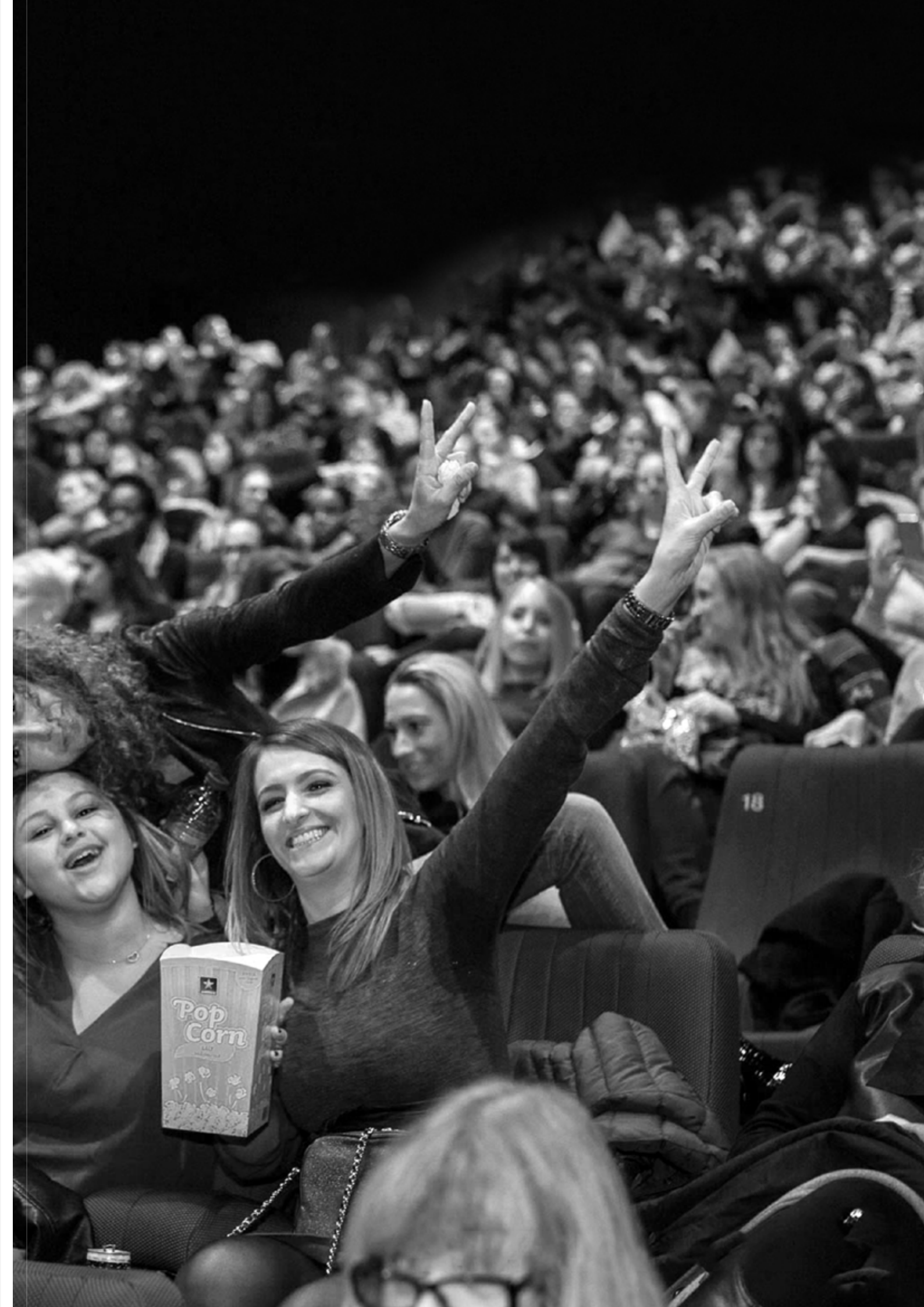
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