



Who we are.

KINEPOLIS GROUP | COMPANY REPORT

2020

PART I

COMPANY REPORT

Who we are.

KINEPOLIS GROUP

2020

This Company Report is part of the Kinepolis Group Annual Report 2020, which consists of three parts:



PART I
COMPANY REPORT



PART II
SUSTAINABILITY REPORT



PART III
FINANCIAL REPORT

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PART I

COMPANY REPORT

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2020 was not a year to cheer about, but it was confirmation for us that we can handle a lot as a team, and that our corporate strategy over the past 13 years has put us in the best possible position to overcome this crisis.

Eddy Duquenne and Joost Bert

WORD FROM THE CHAIRMAN AND THE CEO



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

Ladies and gentlemen,
Dear shareholder, customer and employee,

After a fantastic 2019, we were suddenly confronted with a completely different reality last year. The Covid-19 pandemic broke out worldwide at the beginning of March, resulting in months of closure for all our cinema complexes. What initially seemed to be a matter of months soon turned into a protracted crisis in which we have had to continually adapt to an ever-changing context. As the pandemic progressed, local authorities imposed increasingly drastic measures, which ensured that, even when our cinemas were not closed, cinema attendance was strongly impacted by capacity restrictions, an obligation to wear a mouth mask in the theatre, a curfew and/or a ban on sales of popcorn and other snacks in the cinema. Unfortunately, a second lockdown in the autumn could not be avoided.

All of this also had a significant impact on the film offering. With cinemas in the USA (35% of the world market) remaining closed during the summer months, and with no prospect of improvement worldwide, international blockbusters failed to materialise. Hollywood studios announced one postponement after the other in an effort to safeguard their income and recoup their investment at a later date. The new James Bond film, *No Time to Die*, also disappeared from the calendar for 2020. In search of short-term revenue and in fierce competition for subscribers, some producers chose to release films directly onto their own streaming platforms. That's how *Mulan* and *Soul* ended up directly on Disney+. Most of the blockbusters that were planned for 2020 are still being held back for a cinema release, however, which indicates the importance of the cinema window in the payback model of a movie.

We are proud of how we, as a Kinepolis team, dealt with this crisis. After the initial shock, we were able to act very quickly to limit the damage to our customers, our employees, our company and our shareholders as much as possible, thanks to the flexibility and commitment of everyone involved. The consistent implementation of our corporate strategy and the way we are organised within Kinepolis have helped us to respond quickly to the crisis. Our prudent financial policy, with a low debt ratio and solid real estate position, has also paid off. This did not, of course, alleviate the need for decisive cost control measures, something to which everyone within our company, including our partners, contributed.



Happy to see you again campaign

And we did not give up, instead elaborating safety protocols, developing new concepts, thinking about diverse, alternative programming and continuing to build new cinemas. 2020 was not a year to cheer about, but it was confirmation for us that we can handle a lot as a team, and that our corporate strategy over the past 13 years has put us in the best possible position to overcome this crisis.

The approval of a number of vaccines and the roll-out of vaccination programs in all countries gives us hope for the future. 2021 will still be strongly impacted by this pandemic, but we are confident that cinema attendance will recover, aided by the determination and commitment of all actors in the film industry.

The resilience of cinemas, and of the cultural sector as a whole, should not be underestimated. In the months after the first reopening, a lot of people found their way back to the cinema, even without major crowd pullers. The successful release of *Tenet* in late August, the only blockbuster of 2020 since the virus outbreak, confirmed that movie fans would soon be resuming their old habits. As much as cinema and home entertainment have also become polarised in the face of this pandemic, they remain two fundamentally different experiences that need not to interfere with each other. At best, they will have to find a new balance again in the post-corona era. It's like cooking at home (or take away) and a visit to a restaurant. In the same way as people will continue to go to restaurants, they will also go back to the cinema. We may even witness a real revival because, while many have discovered convenience, the lack of out-of-home entertainment has undoubtedly benefited our appreciation of it. This is what we notice in the many heart-warming reactions from our customers.

It strengthens our belief that experiencing things together will be more valued than ever, and that the importance of creating experiences will increase further. Kinopolis has always been a pioneer in this respect and has the ambition to remain so. It motivates us to focus even more on the uniqueness of watching a film in a dark room and surrendering to emotions, together with others. We are sure that, for many, it will feel like a privilege and relief after a year in which nothing could be taken for granted.



'Social distance' floor stickers in Canada





Kinepolis Haarlem (NL)



A talented and motivated team, a rich range of films and a premium cinema experience that respects everyone's safety: more than ever, this remains the recipe for our company's success. Starting from this strength, we will work hard on our recovery and that of our sector. The film offer for 2021 has never been more promising, with numerous blockbusters looking forward to their long-awaited theatrical release.

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 are grateful to each of them, and make every effort to earn that trust every day.

We look forward to soon being able to welcome you back to our theatres.

Eddy Duquenne
CEO Kinepolis Group

Joost Bert
Chairman of the Board of Directors

2020 at a glance

2020

DEC | JAN | FEB | MAR | APR | MAY | JUN | JUL

Lockdown 1

13-18 MARCH 2020

Successive closure of all cinemas in all countries as a result of the Covid-19 pandemic

FEBRUARY 2020

Opening of the ScreenX theatre in Antwerp



MAY 2020

Renovation of the 'Full' cinema in Barcelona (ES)



Happy to see

1 JULY 2020

Re-opening of the Belgian cinemas



FEBRUARY 2020

Kinepolis receives permission from the BCA to open new cinemas in Belgium from August 2021



APRIL-MAY 2020

Further roll-out of the food delivery service at Landmark Cinemas (CA)



1 JUNE 2020

Re-opening of the Dutch cinemas

6 JUNE 2020

Re-opening of Schaffhausen (CH)

17 JUNE 2020

Re-opening of Luxembourg cinemas

22 JUNE 2020

Re-opening of the French cinemas

FROM 26 JUNE 2020

Gradual re-opening of the Spanish and Canadian cinemas



MAY 2020

'Héroïnes et héros du quotidien' (Everyday heroes and heroines) campaign Kinepolis France



you again!

Lockdown 2

29 OCTOBER-4 NOVEMBER 2020

Successive closure of the Belgian, French and Dutch cinemas, as well as a number of Spanish cinemas and most of the Canadian cinemas

JULY – AUGUST –
SEPTEMBER 2020

Kinepolis on Tour drive-in campaign in Belgium



12 NOVEMBER 2020

Closing of the MJR cinemas

19 NOVEMBER 2020

Re-opening of the Dutch cinemas

25 NOVEMBER 2020

Closing of the cinemas in Luxembourg

2021

MARCH 2021

Opening of Kinepolis Metz-Waves (FR)



AUG

SEP

OCT

NOV

DEC

JAN

FEB

MAR

8 OCTOBER 2020

Opening of Kinepolis Haarlem (NL)



9 OCTOBER 2020

Re-opening of the MJR cinemas (US), launch of Private+ screenings



DECEMBER 2020

Re-opening of the cinemas in Granada and Barcelona (ES)

6 DECEMBER 2020

Closure of Schaffhausen (CH)

10 DECEMBER 2020

Launch of Kinepolis Home Delivery in Antwerp (BE)



15 DECEMBER 2020

Third closure of the Dutch cinemas

23 DECEMBER 2020

Re-opening of the MJR cinemas



MARCH 2021

Opening of Landmark Tamarack, SE Edmonton (CA)



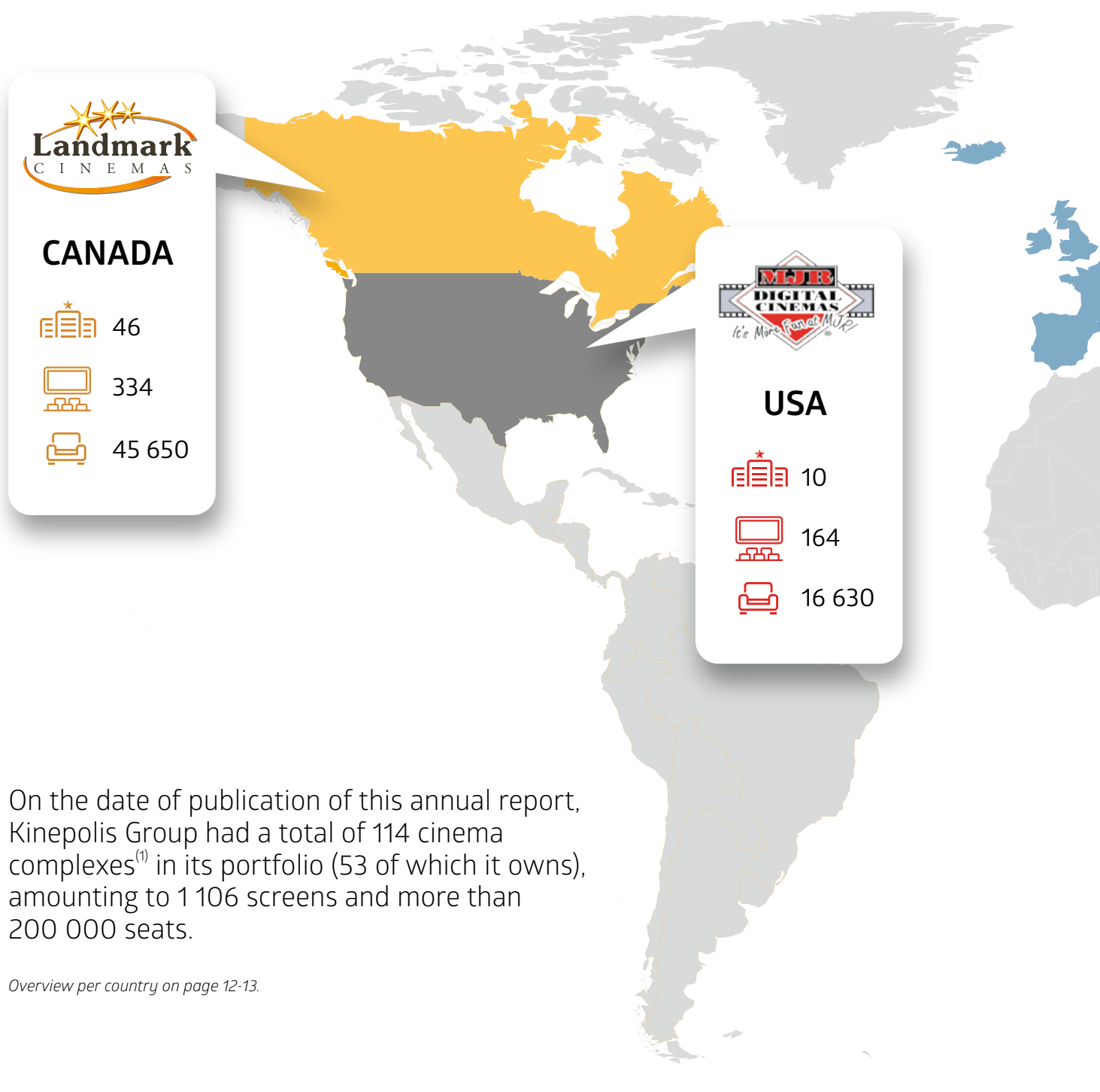
MARCH 2021

Opening of Kinepolis Leidschendam 'Westfield Mall of the Netherlands' (NL)



©Bouwwereld.nl

Kinepolis worldwide



On the date of publication of this annual report, Kinepolis Group had a total of 114 cinema complexes⁽¹⁾ in its portfolio (53 of which it owns), amounting to 1 106 screens and more than 200 000 seats.

Overview per country on page 12-13.



9
COUNTRIES



40.3 million
VISITORS IN 2019⁽²⁾



1777
EMPLOYEES

at 31 December 2020


⁽¹⁾ Belonging to the real estate portfolio on the date of publication, regardless of whether used for cinema activities or not. Including one complex operated by Cineworld (Poznań, PL), of which the number of screens and seats are not included in the total.
⁽²⁾ 12.1 million visitors in 2020 due to the Covid-19 impact.



EUROPE

 58

 608

 134 123

In Europe, Kinepolis currently has **58 cinemas**, spread across Belgium, the Netherlands, France, Spain, Luxembourg, Switzerland and Poland.

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

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



114
COMPLEXES

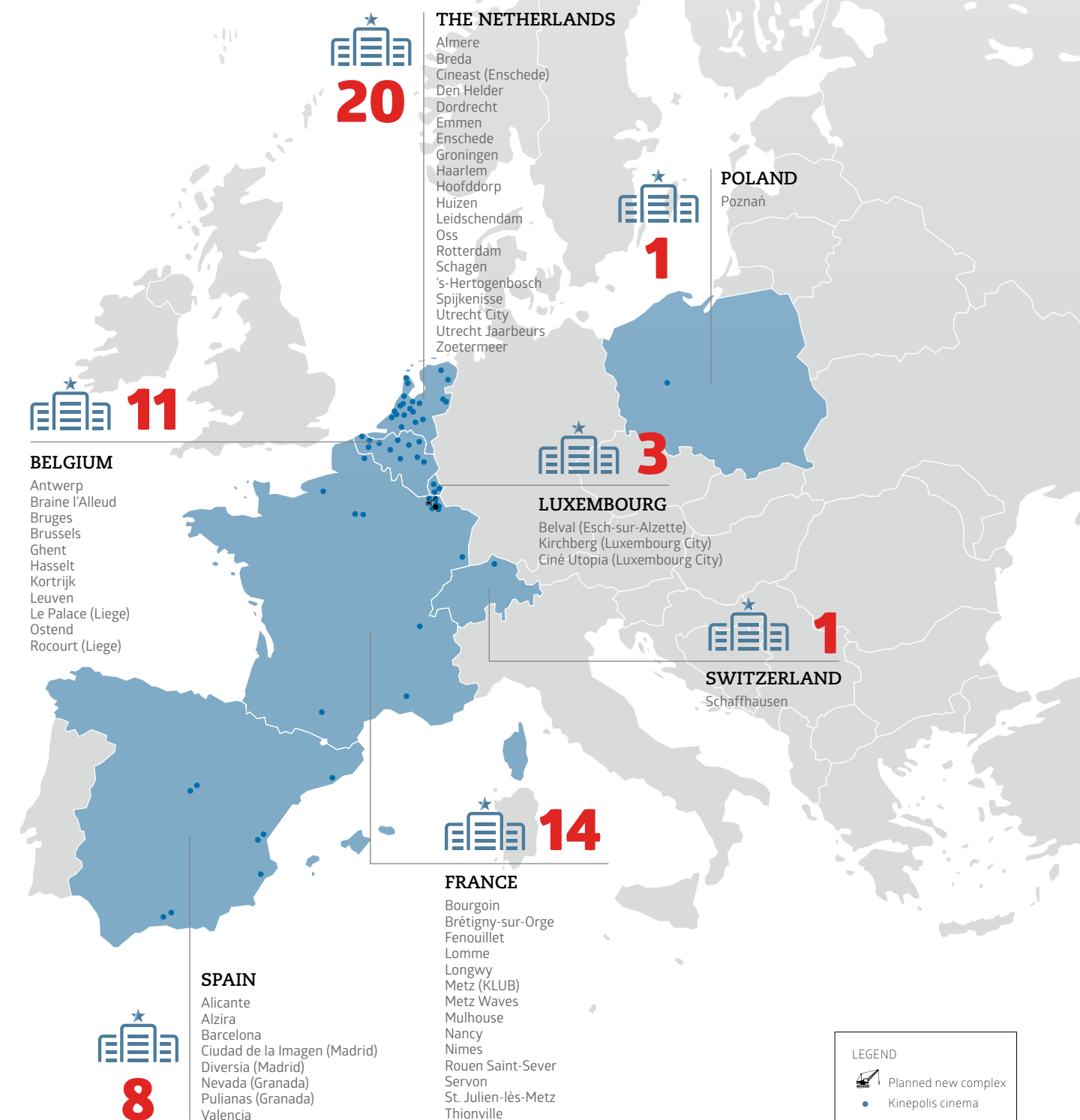


1 106
SCREENS



196 403
SEATS

Kinepolis Europe







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The motivation to fully go
for it again in the course of 2021
is particularly great.

Eddy Duquenne

INTERVIEW

Eddy Duquenne CEO Kinopolis Group



“We were in the eye of the storm this past year, but there was never any panic,” says Eddy Duquenne, CEO of Kinopolis Group since 2008. He explains how the business strategy of Kinopolis, as well as the nature of the company, ensured that Kinopolis started this crisis in the best possible position, and subsequently succeeded in limiting the damage as much as possible. We also asked him what the possible long-term consequences could be for the business model of Kinopolis.

Many cinemas were closed for about half of the year. Was the impact of the pandemic also felt in other areas?

Eddy Duquenne: “As Kinopolis, and as the cinema sector in general, we were hit particularly hard. Our core activity is bringing people together to experience films together. If that’s no longer possible, or only to a limited extent and with drastic measures that are often experienced as being necessary but unpleasant, you have a problem. As a result, there was also a lack of international content, as Hollywood studios were reluctant to release their films under such circumstances. And then you get into a vicious circle, of course, with the studios waiting for the cinemas to recover and the cinemas depending on content in order to do that.

As a cinema operator, we have tried to deal with this as positively and creatively as possible. Receiving our customers in safe conditions was, of course, our main concern. We set to work with an enthusiastic reopening campaign, and an offer that featured new, often smaller or local films, as well as so-called re-runs or movie classics. We also continued to work on new concepts, such as our *Kinopolis on Tour* drive-in cinema in Belgium, *Private Cinema* in the USA and a food delivery service in Canada. And, in the meantime, we did everything possible to keep our costs as low as possible and to strive for the most optimal staffing and organisation in line with the level of activity. A constant balancing act, which has had a major impact on our employees. Apart from all the initiatives I mentioned above, the reality

is that many employees have been technically unemployed for much of 2020. Fortunately, there was a lot of understanding for the situation, but after all these months, this weighs on people, of course. The motivation to fully go for it again in the course of 2021 is therefore particularly great.”

What has helped Kinopolis to get through the past year better than many other hard-hit companies?

Eddy Duquenne: “For 13 years now, we have had a strategy at Kinopolis that is aimed at improving ourselves every year, and this at every level of the organisation.



Kinopolis on Tour drive-in cinema



This is possible thanks to increasing efficiency, but also by finding new sources of income through improving the customer experience. This approach ensures that we force ourselves to achieve the same results every year with a hypothetical 5% fewer visitors, thereby lowering the company's break-even point. Apart from the fact that we have firmly covered ourselves against possible setbacks in this way, this also creates great awareness and an important sense of responsibility for everyone keeping track of partial aspects of our business at the international, national and cinema level. The fact that everyone knows their income and expenditure very well, down to the last detail, and can take action on this themselves, meant that we were able to react very quickly. I was amazed at how quickly we were able to shut down the machine.

In addition, we have always pursued a prudent financial policy, which has resulted in a low debt ratio, despite the growth of the Group, and ample cash reserves. We also have a large part of our cinema real estate in our own hands, which creates an additional buffer. This important real estate position ensures that we do not have to pay rent during periods of inactivity – or of very limited activity.”

Streaming platforms have grown tremendously over the past year, and have benefited from exclusive content. Do you think the traditional distribution model will survive?

Eddy Duquenne: “The developments we have seen in this area over the past year have everything to do with the battle for streaming subscribers. More and more platforms are emerging, and they all have to secure their share of the pie. This fight had actually already started before the pandemic, but has increased in intensity due to the fact that people had to stay at home. In addition, the studios were forced to take measures that would allow them to survive as a company themselves. The home entertainment market has really gained momentum in the past year. But we must not forget that watching a film in the cinema and doing this at home on your couch are fundamentally different experiences. Going to the movies is a night out, it is experiencing emotions together. In the cinema, the lights and the mobile phone are switched off, and you surrender yourself to the moment.

During the lockdowns, people also couldn't go to a restaurant, and fell back on take-away or their own kitchen, but does that mean that they will go to restaurants less in the future? I don't believe that. As a cinema operator, this should motivate us to invest even more in the unique experience of watching a film in the cinema.

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We want to become the ‘sommelier’ of the film.

Eddy Duquenne



We have seen for some time that people are more willing to pay for the experience than for content. Which is not to say that we don't need exclusive content. In this regard, I think the pandemic will have accelerated some trends without fundamentally changing the chronology. A more dynamic approach to exclusivity would seem to be in line with the expectations, but the cinema window still remains the largest source of income for a film, and also has a value that should not be underestimated in terms of marketing for the home entertainment market. Producers will need to provide the right content for the right platform. I expect the cinema itself will be playing an increasing role in terms of content selection. Providing the pearls that you have to see on the big screen. We've been saying for a number of years that we want to become the 'sommelier' of the film."

Finally, how do you see the future?

Eddy Duquenne: "Positive. The Corona virus will still have a strong impact in 2021, but we are convinced – and will do everything in our power to ensure – that our cinemas fill up again in due course. We are sufficiently prepared financially if this recovery takes longer than expected. Everything depends on how quickly 'normal' life can resume in the various countries in which we are active."

With regard to the measures – and their duration – we would refer to the competent authorities in each country. The sector has been hit hard, but a crisis like this invariably leads to new balances and opportunities. Creativity and entrepreneurship will make the difference more than ever and, as Kinepolis, we are well placed to take the lead in this.

What I have noticed in the past year is that cinemas are really part of people's daily lives. We have been missed. People long to escape reality for a while and relax, preferably together with others. This surely underlines the social role played by cinemas, both culturally and socially. As a 'non-essential' sector – as we are referred to in these times of pandemic – we have never felt so essential."



THE VISION OF TOM EVENS, PROFESSOR OF MEDIA STUDIES AT UGENT

"Corona is accelerating the trend of bringing films directly to the customer. Disney has set the tone, and the other studios can't lag behind as they watch Disney+ take off. The cinema is still the first opportunity to recoup the costs of the film, however. Given the low subscription rates, this is not self-evident via streaming."

"Cinemas offer a special experience. You can compare it to football: you can watch it on TV, but the stadium experience remains unsurpassed. A certain segment of film lovers wants this experience of better sound and image, in addition to 3D glasses and scent effects in the room. People still have money for a night out at the cinema."

Source: De Morgen, December 2020

REVIEW OF 2020

Our Country Managers have their say

Kinepolis was hit worldwide, but had to react at different speeds in each country, in line with local government policy. National teams have shown unprecedented flexibility in dealing with an ever-changing local context. **Six operational Country Managers look back.** How did they experience the past year, and what have they learned?



Dave QUICK

Country Manager Operations
Kinepolis Spain

“After the end of the national alert phase on 21 July, the Covid policy became the responsibility of the 17 regions in Spain. That made it more complex for us, because the regions had different policies, resulting in regional differences between, for example, the sales channels we could use, the number of people in our theatres and whether or not we could sell drinks and snacks in the cinema.

Once it became clear that the regions were taking different measures according to the course of the pandemic, we decided to give more responsibility to the local teams, including staff planning, programming, how many screens were opened per cinema and how in-theatre sales were organised. It has to be said that the colleagues of the *Cinema Support Centre* have done their utmost to support the local teams in this to the greatest possible extent. The professionalism, flexibility and maturity with which our teams have dealt with this goes a lot further than what you can normally expect as a company.

A crisis means change. You must always be ready to respond to changes that you cannot control. We have succeeded in doing this at Kinepolis thanks to

our budget strategy, in which we strive to improve both our efficiency and the customer experience every year. This strategy stimulates entrepreneurship and autonomy in our local teams. Our people know what they are doing, down to the smallest detail. This also makes them proud, and motivates them to take on their responsibility and take the lead, even in challenging circumstances. Over this past year, we have proven that we have the tools to handle any situation and, in the coming period, we will focus on the recovery of cinema attendance by offering our customers a unique, relaxing experience.



Once it became clear that the regions were taking different measures, we decided to give more responsibility to the local teams.

The pressure on our sector will force us to take advantage of new opportunities. I am convinced that, as a team, we will be more motivated than ever, and that this will also arise from a kind of pride about the path we have taken together over the past year.”

Carl LENAERTS

Country Manager Operations
Kinepolis BeLux

"The most difficult period was probably the first few weeks of the lockdown in the spring, when all operational matters related to a closure were completed. There was an emotional impact, and almost everyone was in temporary unemployment. But we quickly turned everything around, and started working on the reopening with a limited team. A protocol was drawn up, and was elaborated down to the smallest level. This restored everyone's energy. Everything was new because the situation was unique, and that gave great satisfaction to those involved. You see how people develop faster in times of crisis. People really rose above themselves, and showed our self-learning organisation at its best.

Another positive aspect of such a crisis is that creativity and entrepreneurship are stimulated. There was a limited time horizon, and people were

thinking more out of the box. Everyone supported a common goal and did their utmost. Our *Kinepolis on Tour* drive-in campaign during the summer is a good example of that entrepreneurship and special teamwork.

Short reporting lines benefit communication and the speed of decision-making. It is often also 'daring to decide', even if you don't know everything you need in order to take the decision on its merits. We have learned to continuously adjust according to progressive insight.

As long as the pandemic continues to seriously disrupt our activities, it will remain important to keep in touch with employees and provide some perspective. In this regard, the empathic aspect is much more important than the concrete information, which is often lacking. We master all process-related matters in the meantime, but the human aspect remains a challenge, especially the longer the crisis lasts."



Joel KINCAID

Vice President Operations
MJR, USA

"In the USA, the Covid pandemic will by no means be the only event of 2020 that will go down in world history. *Black Lives Matter* and the presidential election were milestones that were at least as historic. Each US state was confronted by specific Covid challenges, and dealt with them in a different way. All of our MJR cinemas are located in Michigan, and had to close on 16 March. Only seven months later, on 9 October, we were allowed to welcome movie goers back to our cinemas. We successfully launched *Private+*, a new concept for organising private screenings for groups of up to 20 people. Given the severe capacity constraints, this was the right time to offer a private experience to our customers,

especially as many people were still hesitant about public places. Barely a month later, however, an increasing number of infections caused our cinemas to close again, lasting until 23 December.

The majority of MJR's senior management have been here for more than 20 years. This means that, as a group, we have already faced major problems before. Obviously, nothing could have prepared us for the Covid crisis, but with experience comes confidence about the obstacles we can overcome together. Uncertainty was by far the most difficult aspect of the past period. Uncertainty about when you can open again, and how the entire sector would adapt to the new context means that you are sometimes navigating blind. But the cinema industry is resilient and flexible and, as a company, we have shown best-in-class adaptability in all markets.



In times of crisis, it is important to take decisions quickly and implement changes efficiently. In normal circumstances, as a growing company, you will add more and more layers to your organisation in order to facilitate growth. In times of crisis, however, these layers often slow down the process and overall efficiency. Kinopolis understood the importance of agility by giving country

management autonomy and striving for flexibility in processes.

We have learned that growth should not come at the expense of flexibility and agility, and that our strategy of continuous improvement supported by active and driven employees is more important than ever.”



Bill WALKER

Country CEO
Landmark Cinemas Canada

“After the initial lockdown, we adjusted our operations in line with the restrictions imposed by

each of the provinces in Canada. The restrictions varied from a maximum capacity percentage to a fixed number of visitors per theatre, as well as which snacks we could or couldn't sell. The second wave in the autumn quickly closed nearly all the Landmark cinemas again (except for two by the end of December 2020).



Movie Lovers thanked us for being able to escape from reality in a safe way.

A few days after the initial closure, however, we immediately started to focus on a safe reopening of our theatres. It was clear that safety was the top priority, and that it would be important to explain this aspect in detail to our customers via all our media channels. There was fantastic collaboration, both within the teams and across the departments.

We were very pleased with the appreciation of our customers: Movie Lovers thanked us for being able to escape from reality in a safe way. In addition to

the security measures, the lack of new content was a challenge. With the slogan *Movies Are Better Together*, we still managed to stay connected with Movie Lovers by letting them rediscover a selection of movie classics on the big screen. Our market share showed that this approach and the marketing around it were paying off.

We also looked for new sources of revenue. For example, we launched a food delivery service, and had already sold almost 30 000 bags of popcorn via this route by the end of 2020. It's one way to keep the cinema experience top-of-mind, but we are convinced that our food delivery service will continue to be successful, even after this pandemic. And, in the meantime, we also continued to build a new cinema in Edmonton, Alberta. This cinema contains all the new concepts that we have introduced to the Landmark circuit in recent years: Laser ULTRA, a fully-fledged *MarketPlace* self-service shop, luxurious recliners and *Premiere Seats* (the Canadian translation of the Kinopolis' *Cosy Seats*).

I'm proud that the commitment of the Landmark team and the commitment to the company and our business have never wavered. We have always sought new solutions to improve our way of working within the current context, without losing focus on long-term strategic priorities. We communicated with our Canadian teams on a weekly basis, celebrating small successes and remaining true to the importance of our mission: to entertain people, and to enrich people's lives through the power of movies.”

Kassandra DOMMISSE-REEBERGEN

Country Manager Operations
Kinopolis Netherlands

"The Netherlands was the first country within Kinopolis where cinemas reopened their doors at the beginning of June 2020. We were the first in the Group to roll out a strict security protocol, the insights of which have certainly been valuable to other countries that only re-opened later. Fortunately, we had a lot of local films in the Netherlands during the summer, followed by the successful release of *Tenet* at the end of August. New closings followed in November and December, so we unfortunately also missed the Christmas period.

I'm very proud of the hands-on mentality and flexibility of our teams. Traffic flows had to be adjusted, new procedures and seating plans implemented, clear communication via social media, financial forecasts: it was challenging to have to always adapt to the current situation, and do this with limited resources, but we went for it as a team and managed to maintain a positive atmosphere, despite everything. Via the cinema federation, there was also good collaboration with

our competitor colleagues in developing a Dutch sector protocol, in which the safety of customers and employees was paramount.

And, even in Covid times, we managed to open a new cinema, Kinopolis Haarlem. An opening without a festive premiere, unfortunately, but this brand new Dutch Kinopolis cinema is all set to conquer the local market in 2021.

Being confronted with something you cannot control ensures that you, as a team, show more creativity and entrepreneurship. The mission was very clear to everyone: limit the damage as much as possible, for both the company and for everyone involved. In times like these, I think we should above all remain focused on what is possible, concentrating on opportunities instead of on what's not possible (anymore), or what we would rather have seen differently. Working constructively together with distributors to bring great films back to the big screen, and allowing our visitors to enjoy a great cinema experience: that remains the essence, also for the future."



Philippe HALHOUTE

Country Manager Operations
Kinopolis France

"After 100 days of closure, our French cinemas resumed their operations on 22 June, at that time without a mask obligation during the screening. This was introduced at the end of August, but food and drinks were still allowed. There was a 9 pm curfew from mid-October, followed by a complete closure two weeks later.

As a team, we were able to adapt relatively quickly to this new context, through good communication at local, national and international level and, of course, also thanks to the flexibility and strength of our teams. We very quickly took measures to limit our costs. The most difficult thing was that decisions by

the Government often came through late, but required an immediate reaction from the teams. In addition, it is also a challenge to keep all employees motivated and involved during prolonged periods of closure.

I'm very proud of the pragmatic and positive way in which our teams have dealt with the exceptionally difficult circumstances. The situation has also resulted in closer contacts with international colleagues and our CEO.

Although there is still a lot of uncertainty today, we remain positive about the future. I am convinced that the cinema sector will no longer be quite the same after this crisis, but that stimulates us to adapt and take on new projects in order to be able to perform and grow as before. The new cinema that we opened in Metz will help us in this regard."



Kinepolis Thionville (FR)

Our visitors

CINEMA IS FOR EVERYONE

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

VISITORS TO CORPORATE EVENTS

Many visitors find their way to the cinema through corporate events. 12.9% of our revenue in 2020 was generated by business-to-business activities. This can be avant-premieres, congresses, private film screenings, company presentations, and so on.



Belgian reactions
to Tenet

*Our visitors
have their say*



Walk-in toddler cinema



'Birthday room' in Landmark Regina (CA)

Our brands

KINEPOLIS, OUR BRAND IN EUROPE



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

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



Albert Bert



First cinema in Harelbeke



More than 20 years on the stock market



KLUB, THE ART HOUSE CINEMA CONCEPT OF KINEPOLIS

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



Kinopolis Breda (NL)



MJR Digital Cinemas Partridge Creek (USA)



Landmark Cinemas Calgary (CA)

LANDMARK CINEMAS, OUR BRAND IN CANADA



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

MJR DIGITAL CINEMAS, OUR BRAND IN THE USA



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

Our team

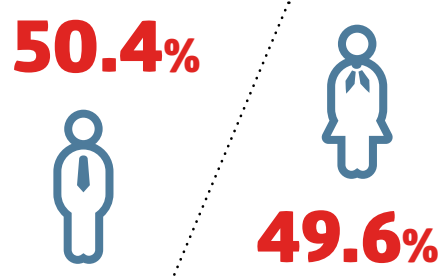
Thousands of employees are committed each day to providing millions of cinema visitors with an unforgettable movie experience. Due to the corona crisis, however, many of these talents became temporarily unemployed in 2020, pending a resumption of our cinema activity.

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

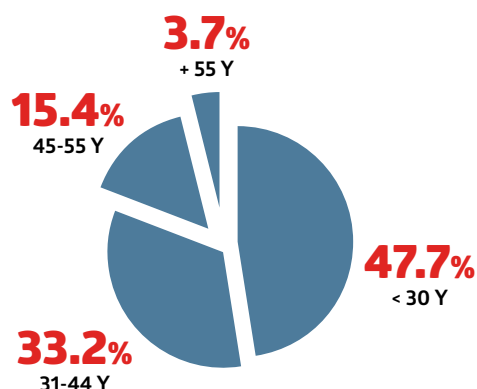
ENTREPRENEURSHIP IS CENTRAL

Entrepreneurship and the empowerment of employees is stimulated and facilitated to the maximum at Kinopolis. We want to give responsibility for departmental targets and budgets to as many people as possible in order to let them actively contribute to the continuous improvement of Kinopolis' business operations. This bottom-up approach is part of the DNA of Kinopolis and, in the light of the Covid-19 pandemic, has helped the company to react very quickly according to current events and take measures at every level of the company.

M / F RATIO



AGE DISTRIBUTION



CLIENT FOCUS



TEAMWORK



EXCELLENCE



FLEXIBILITY



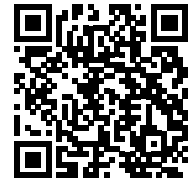
HANDS-ON

K VALUES

Putting the customer first, working together constructively, doing your job correctly and efficiently, dealing with change in a flexible way, and having a sense of initiative and entrepreneurship: everyone is expected to fulfil each of these aspects, individually or as a team.



Employee testimonials



This approach goes hand-in-hand with the creation and stimulation of 'learning networks', in which employees in similar functions, but from different cinemas, hold discussions with each other in order to gain new insights and learn from each other. This is what we mean by the 'self-learning' culture of our organisation.

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

KINEPOLIS ACADEMY



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

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

Training courses in 2020 were entirely dedicated to the Covid-19 security measures in our cinemas. Almost all other training activities were put on hold.

TALENT FACTORY

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

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

For more information about our personnel policy, please refer to Part II: 'Sustainability Report'.

Core activities

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



BOX OFFICE

Box Office activities comprise the sale of cinema tickets. The evolution of these sales is highly dependent on a number of external factors, including the weather and the film offering.

Kinepolis endeavours to continuously optimise its seating capacity and occupation by providing a varied range of films and cultural events, thereby reaching the widest possible audience. By means of an active programming policy, we aim to provide an offer for various target groups at all times. The classic film range is also permanently supplemented with alternative content (art, opera, ballet, concerts, etc.) and event formulas (marathons, Ladies at the Movies, horror nights, etc.).





Kinopolis shop in Brétigny-sur-Orge (FR)

IN-THEATRE SALES

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



ROLL-OUT OF 'MARKETPLACE' IN CANADA

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



Kinepolis Rouen (FR)

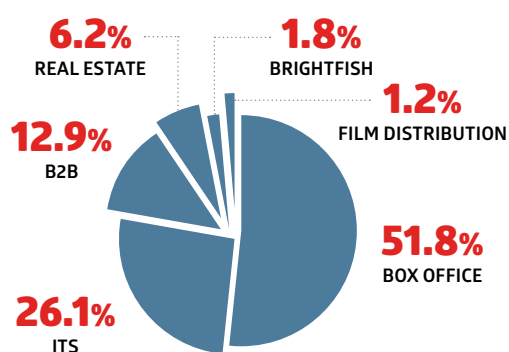


B2B event Kinepolis Madrid (ES)

BUSINESS-TO-BUSINESS

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

REVENUE PER ACTIVITY IN 2020



REAL ESTATE

Kinepolis has a department that is specifically tasked with the coordination of the management, utilisation and development of the Group's property portfolio. Kinepolis stands out from many other cinema operators thanks to its unique real estate position, as the Group owns a major part of its real estate (53 cinemas, which together generate 59% of the visitors). In the cinemas that Kinepolis owns, more than 90 000 m² are leased to third parties. The flow of customers to these businesses (mainly shops and cafés) is mostly generated by the presence of the cinema.

DIGITAL CINEMA SERVICES

Digital Cinema Services (DCS) comprises all the technical expertise that Kinepolis possesses in terms of digital projection and sound. Although this expertise is primarily used in-house, Kinepolis DCS also occasionally provides technological services to third parties.

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 the area of Flemish film, KFD has earned itself a strong position in Belgium. As a media company, Kinepolis stimulates the production and promotion of Flemish films via KFD. KFD also works closely together with other partners, including Dutch FilmWorks (DFW), the largest independent film distributor in the Netherlands. Within this partnership, KFD distributes the DFW film catalogue in Belgium and Luxembourg.

SCREEN ADVERTISING IN BELGIUM

Brightfish, the Belgian screen advertising agency, offers a wide array of media channels in and around cinema for anyone who wishes to communicate with cinema visitors in a targeted way.



Our strategy

THE ULTIMATE MOVIE EXPERIENCE

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

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



Kinepolis Brétigny-sur-Orge (FR)

The 3 pillars



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



KINEPOLIS WANTS TO BE THE
**Best
marketer**



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





Best cinema operator

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

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



Kinepolis Innovation Lab

Every year, all the cinema teams propose both revenue-generating and efficiency-driven measures to systematically reduce the break-even point (in proportion to a hypothetical 5% fewer visitors per year⁽¹⁾). Together with a uniform company structure, management reporting at a detailed level and the organisation of contact moments so that business and budget owners can inspire each other, this annual exercise has realised a continuous improvement potential in both mature and new cinema complexes for almost 15 years.

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

EMPLOYEES BECOME ENTREPRENEURS

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

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

Following the outbreak of the Corona crisis, this bottom-up business strategy and culture greatly helped Kinepolis to take appropriate measures quickly. Business and budget managers know their income and expenditure, and can take immediate action themselves. Thanks to everyone's responsibility

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



*Entrepreneurship
is stimulated to
the maximum*



and quick action, Kinopolis was able to further reduce its fixed costs. In 2020, budget owners and their teams were challenged more than ever to think about solutions and be creative in managing 'their' business.

MEASURING IS KNOWING

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

CUSTOMER SATISFACTION INDEX

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

PEOPLE SATISFACTION INDEX

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

INVESTING IN TALENT

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



Best marketer

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

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



RELATIONSHIP MARKETING

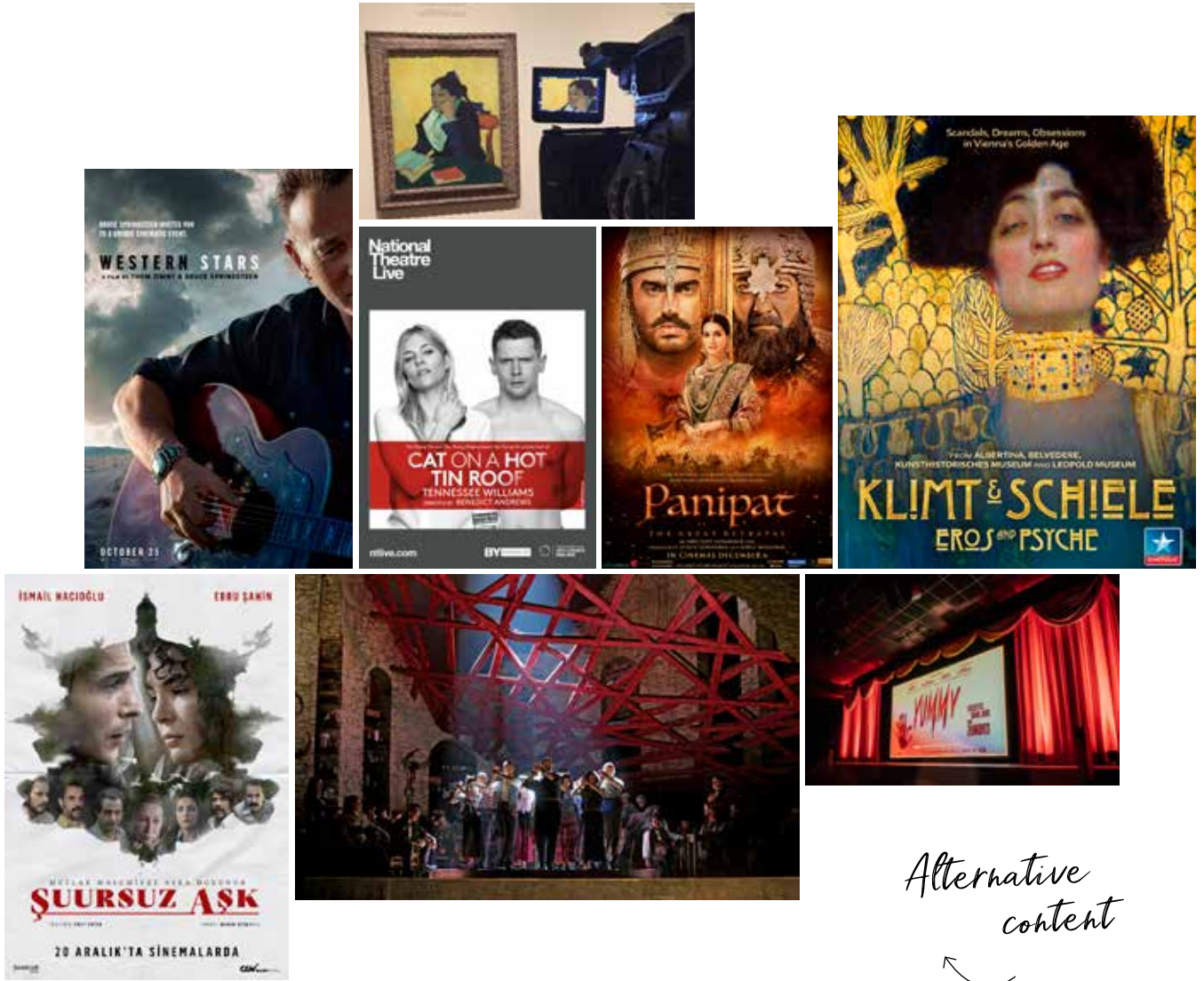
The Kinopolis marketing strategy is aimed at getting to know our customer and his or her preferences better. Given the huge increase in the number of films being programmed today and the pressure on the traditional Hollywood model, in which the distributor promotes a film unilaterally, but finds it increasingly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

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

MARKETING AS A SERVICE

In Europe, we can now reach 5.1 million customers via email marketing (against a customer base that we estimate has more than 6.6 million unique visitors at European level). More than 1.1 million of them have a subscription to the My Kinopolis newsletter. The e-mailings with recommendations for films and events only go to a limited target group, based on the knowledge that Kinopolis has built up about its customers. The average e-mailing in Belgium, for example, is sent to only 7% of the addresses in the database.

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



*Alternative
content*

ACTIVE PROGRAMMING

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

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



Cosy seating with a handy table



Premiere Seats, the recliner version of the cosy seating concept in Canada

EXPERIENCE

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

COSY SEATING

Cosy Seats are even more comfortable seats with extra-wide armrests, featuring a handy tray for drinks and snacks and a coat hook. Cinema-goers can opt for Cosy Seats by paying a supplement on top of the regular ticket price. The concept was launched in Canada under the name *Premiere Seats*.

RECLINER SEATING

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

LASER ULTRA

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

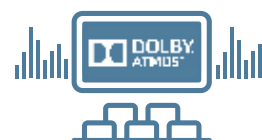


16
FULL-LASER
CINEMAS

(*) numbers at the date of publication



35
LASER
ULTRA SCREENS



56
SCREENS WITH
DOLBY ATMOS

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

4DX AND MX4D

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

SCREENX

ScreenX is the world’s first multi-projection technology to offer the visitor a 270-degree viewing experience by extending the scene to the side walls. Kinopolis has opened several ScreenX theatres in Europe since the end of 2019.

IMAX

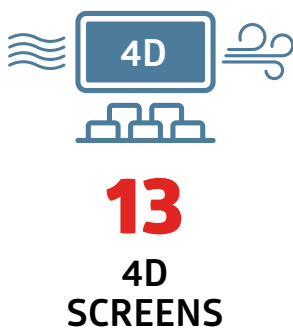
Landmark Cinemas has 5 IMAX screens in Canada. In Kinopolis Brussels and Antwerp (BE), film lovers can also enjoy an immersive IMAX experience with the biggest blockbusters. These ‘IMAX with Laser’ theatres are equipped with 4K laser projection in combination with an immersive audio experience.

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



LASER PROJECTION

Laser projectors guarantee a razor-sharp image and consume up to 40% less power compared to traditional xenon lamp projectors. Laser provides more stable light, more light in the corners of the screen and a higher contrast. In June 2018, Kinopolis signed an agreement with Cinionic to equip approximately 300 screens with Barco lasers by mid 2021. Under this agreement, 210 laser projectors had already been installed by the end of 2020, resulting in a total of 257 theatres with laser projection by the end of 2020.





Best real estate manager

Kinopolis owns a large part of its cinema real estate, specifically 53 complexes in which 59% of the visitors were generated in 2020.

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

CINEMA REAL ESTATE

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

The Group's solid real estate position is also an important advantage in optimally managing the impact of the Corona crisis. After all, Kinopolis does not have to continue to pay rent for the complexes it owns during periods of inactivity – or very limited activity.



"The Magic Forest" indoor playground in Madrid (ES)



Kinopolis Servon (FR)

53
COMPLEXES IN
OWN HANDS



Kinopolis Haarlem (NL)



Restaurant in Kinepolis Kortrijk (BE)



Restaurants and bars in Kinepolis Kirchberg (LU)



Leonidas café in Kinepolis Antwerp (BE)

Within the owned cinemas, Kinepolis rents out more than 90 000 m² to third parties (mostly to catering companies), and the flow of customers to these businesses is mostly generated by the presence of the cinema.

In recent years, the Real Estate department has also become closely involved in the realisation of the Group's expansion strategy with regard to the development, realisation and coordination of new construction projects. Kinepolis is committed to continuing the optimal management, use and development of its unique real estate portfolio in the future.

International growth

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

Significant steps to implement the Group's expansion strategy have been taken in recent years. The number of cinemas in Kinepolis' portfolio has grown from 23 to 114 over the past six years.

EXPANSION STRATEGY

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

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





164
SCREENS


ACQUISITION OF MJR DIGITAL CINEMAS (USA) IN 2019

At the end of 2019, Kinopolis acquired the US-based MJR Digital Cinemas, thereby making its entry into the United States. MJR Digital Cinemas, with its head office in Bloomfield Hills, Michigan, consists of 10 cinema complexes with a total of 164 screens and more than 16 000 seats, all located in Michigan. All the cinemas involved are multi- and megaplexes with capacities ranging from 10 to 20 screens.

Seven of these cinemas are owned (114 screens), including three on a leasehold site, while the remaining three are leased complexes (50 screens). The Group has three megaplexes with 20 screens each, five cinemas with 16 screens, one with 14 screens and one with 10 screens. All screens have 5.1 digital

surround sound, and two complexes have an *Epic Experience* auditorium, where 4K projection is combined with Dolby Atmos sound. In addition, almost all the cinemas are equipped with the recliner seating concept, the motorised, fully reclining seats with foot rest that are also very successful in Canada.

Kinopolis will continue to operate MJR under the existing brand name. The first phase of integration of MJR Digital Cinemas started in early 2020.


6
SCREENS

Kinepolis Haarlem
 ↓



Kinepolis Haarlem (NL)



Kinepolis 'Full' cinema in Barcelona (ES)


28
SCREENS

↑
'Full' cinema

OPENING OF KINEPOLIS HAARLEM

In the midst of the Corona crisis, Kinepolis opened a new cinema in Haarlem, the Netherlands, on 8 October 2020. The cinema has 6 screens and 937 seats, and all the screens are equipped with laser projection, including one with Laser ULTRA technology. In this theatre, Kinepolis combines 4K laser projection with Dolby Atmos sound for an even more intense film experience. The opening of this new cinema fits in with the redevelopment of Schalkwijk Centre. In addition to residential apartments and a commercial zone, this urban development includes an above-ground car park with 600 spaces and a new access bridge to the area. Kinepolis incorporated the project for the new cinema with the acquisition of NH Bioscopen in January 2018.

RENOVATION OF THE 'FULL' IN BARCELONA

The first lockdown in Spain was used to thoroughly renovate the 'Full' cinema, which was acquired in Barcelona in 2019. It was given a completely renovated shop, for example. The cinema in Barcelona, which has 28 screens and more than 2 500 seats, will continue to operate under the established 'Full' brand.

OPENINGS IN 2021

KINEPOLIS METZ WAVES

Kinepolis is also opening a new cinema in the Waves-Actisud commercial centre in Moulins-lès-Metz, France in the first quarter of 2021. The cinema has 6 screens and around 900 seats. Kinepolis expects to receive around 300 000 visitors per year in this new French complex.

LANDMARK TAMARACK EDMONTON

A new Landmark cinema will also open in Edmonton, Alberta (CA), in the first quarter of 2021. This means Landmark Cinemas will be bringing its premium recliner cinema experience to the 'Grove on 17' site, in the Tamarack region of south-eastern Edmonton. All eight theatres are equipped with Landmark luxury recliner seats. The new cinema will be fully equipped with Cinionic Barco laser projection, and will also have a MarketPlace shop, in line with the well-known Kinepolis shop concept. Landmark expects to be able to receive around 400 000 visitors per year.



Kinepolis Metz Waves (FR)



Landmark Tamarack Edmonton (USA)

KINEPOLIS LEIDSCHEMAM

Kinepolis also opened a new cinema as part of the 'Westfield Mall of the Netherlands' project in Leidschendam (The Netherlands) in March 2021. The 'Westfield Mall of the Netherlands' is a project by Westfield-Unibail-Rodamco, in which the Leidsenhage shopping centre has been transformed into the largest shopping centre in the Netherlands. The cinema has 11 screens, and Kinepolis expects to receive around 500 000 visitors per year.

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



Kinepolis Leidschendam (NL)



Kinepolis Leidschendam (NL)



11

SCREENS

Westfield Mall of the Netherlands

Worldwide recognition

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



2014

GLOBAL ACHIEVEMENT IN EXHIBITION



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

2017

INTERNATIONAL EXHIBITOR OF THE YEAR



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

2019

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



BRUSSELS – In October 2019, Kinepolis Group proudly received the ‘Entrepreneur of the Year 2019’ award for Flanders from His Majesty the King of the Belgians. The 25th edition of this prestigious event, which was organised by EY working together with the De Tijd newspaper and BNP Paribas Fortis, took place in Auditorium 2000 at the Heysel in Brussels, and was given an extra festive touch to celebrate this anniversary edition. EY launched the Entrepreneur of the Year® award in 1995, with the ambition of putting the best achievements of Belgian companies in the limelight.

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

Jury president Michèle Sioen:
“In addition to the impressive expansion strategy, which recently reached a high point

with the expansion into the United States, Kinepolis stands out in particular through the empowerment of its employees and the creation of additional added value for the customer experience. Kinepolis is therefore the more than deserved winner of the 25th edition of Entrepreneur of the Year®.”



Eddy Duquenne and His Majesty the King of the Belgians

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Creation: www.astrix.be

This Company Report is available in
English, French and Dutch.



WWW.KINEPOLIS.COM/CORPORATE



Because we care.

KINEPOLIS GROUP | SUSTAINABILITY REPORT

2020

PART II

SUSTAINABILITY REPORT

Because we care.

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

KINEPOLIS GROUP

2020

This Sustainability Report is part of the Kinopolis Group Annual Report 2020, which consists of three parts:



PART I
COMPANY REPORT



PART II
SUSTAINABILITY REPORT



PART III
FINANCIAL REPORT

SUSTAINABILITY REPORT

Sustainable investment in people and the environment	4
Our customers	8
Our people	20
Care for the environment	30
Integrity in business	38



”

As a cinema operator, Kinepolis is a part of people's daily lives and attaches the greatest importance to the social, ecological and cultural aspects of its business operations, in addition to economic value creation.

Kinepolis Nancy (FR)

Sustainable investment in people and the environment

As a cinema operator, Kinepolis is a part of people's daily lives and attaches the greatest importance to the social, ecological and cultural aspects of its business operations, in addition to economic value creation. The principles of Corporate Social Responsibility (CSR) have been translated into a sustainability policy that is an important guideline in the daily decision-making processes and operation of the company.

In the course of 2020, Kinepolis launched a strategic exercise aimed at updating and intensifying its sustainability policy, starting from the principle of value creation for all stakeholders. As this exercise will be continued in 2021, and also in view of the fact that the past year was completely dominated by the Covid-19 pandemic, the result of this will not yet be presented in the current annual report.

CONTEXT AND METHODOLOGY

In 2017, Kinepolis made the decision to structure its existing CSR approach within the framework of the internationally-recognised ISO 26000 standard (*Guideline for Corporate Social Responsibility*). In accordance with this standard, a relevancy and significance evaluation of the various CSR aspects, and the related risks that a company faces, was carried out at the end of 2018. This evaluation was carried out by the members of the Board of Directors, senior management and the Belgian

Works Council. The relevance and significance for Kinepolis itself and for its various stakeholders (including employees, customers, suppliers, investors and government) were taken into account in this regard. An evaluation of this kind is carried out at least every two years, unless there are strong indications that the results are not up-to-date. In such a case, the evaluation is accelerated. In anticipation of the updated sustainability strategy (as explained in the introduction) and given the severe disruption to the operations of Kinepolis since March 2020 as a result of the Covid-19 pandemic, Kinepolis will not conduct a new materiality analysis until the end of 2021.

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

- Care of Customers
- Care of Employees
- Care for the Environment



CARE OF
CUSTOMERS



CARE OF
EMPLOYEES



CARE FOR THE
ENVIRONMENT



Safety measures to prevent a further spread of the Covid-19 virus, Landmark Cinemas

The Kinopolis policy in each of these domains is set out in more detail below. In light of the Covid-19 pandemic, additional attention has been paid in this respect to the care of customers, employees and local communities in the past financial year. Any risks associated with the care of customers, employees and the environment have been included in the description of the main business risks (see part III: Corporate Governance, page 30-32).

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. Kinopolis takes all target groups into account in this regard, and this is reflected in both the film programming and the infrastructure of its cinemas.

In 2020, the greatest possible attention was paid to protecting the health of each and every customer by implementing, respecting and raising awareness about the safety measures employed to prevent the further spread of the Covid-19 virus. This was done at all times in accordance with the measures imposed by the respective local authorities.

CARE OF EMPLOYEES

The well-being of employees is an important part of the Kinopolis sustainability policy. Kinopolis works hard to develop talent and encourage employees to get the best out of themselves. After all, an employee who feels involved will create happy customers and partners.

The Kinopolis Human Capital policy provides, among other things, for an intensive onboarding process, various training programmes and career guidance. The annual measurement of employee satisfaction enables Kinopolis to closely monitor this policy, and to develop it further.

Normal human capital activities were seriously disrupted in 2020, however. The care for employees was entirely focused on protecting everyone's health in light of the Covid-19 pandemic and guiding both the teams and the individual employees through the crisis. From the beginning of March 2020, Covid-19 had a significant impact on the operations of Kinopolis and all its employees, including long periods of unemployment and compulsory teleworking.

CARE FOR THE ENVIRONMENT

Via its 'Green Star' programme, Kinopolis is also committed to shouldering its responsibilities with regard to caring for the environment. Kinopolis safeguards the comfort of visitors and employees with every procedure it undertakes in its buildings, new constructions or renovations. The company is constantly working to reduce its ecological footprint by introducing innovative, low-energy materials and structural applications.

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



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

INTEGRITY IN BUSINESS

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

MEASURING OUR PERFORMANCE WITH REGARD TO SUSTAINABILITY

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

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



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

Kinepolis acquired the American cinema group MJR Digital Cinemas at the end of 2019. As cinemas in the USA have only been part of the Kinepolis portfolio since late 2019 and operations were seriously disrupted by the Covid-19 pandemic in 2020, Kinepolis will not yet report on its US operations in this chapter.

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

KEY PERFORMANCE INDICATORS (KPIs)

THE SUSTAINABILITY PILLARS OF KINEPOLIS	RELATED GUIDELINES ISO 26000	KPI
Customers	<ul style="list-style-type: none"> - Honest marketing, factual and unbiased information and fair practices when concluding contracts - Protection of the health and safety of consumers - Customer service, support and resolution of complaints and disputes - Consumer data protection and privacy - Education and awareness 	<p>Number of completed customer surveys per year: Customer Satisfaction Index (CSI) in Europe</p> <p>'Tell Us About Us' guest survey in Canada</p> <p>One-off KPI 2020: Customer evaluation of safety in European cinemas – 'How satisfied were you with the safety/hygiene measures taken in light of Covid-19?'</p>
Employees	<ul style="list-style-type: none"> - Employment and employment relations - Working conditions and social protection - Social dialogue - Health and Safety at work - Personal development and training in the workplace 	<p>Number of 'budget owners' in relation to the total number of employees</p>
Environment	<ul style="list-style-type: none"> - Prevention of environmental pollution - Sustainable use of resources - Mitigation of and adaptation to climate change 	<p>Development of energy consumption per year Expressed in KWh/m²</p> <p>Reporting at Group level for Europe (reporting in Canada from 2021)</p> <p>KPI not relevant in 2020 due to the limited operation or closure of cinemas</p>
Integrity in business	<ul style="list-style-type: none"> - Human rights - Honest business practices 	<p>% of employees who have signed the Code of Conduct</p>

Our customers

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



POLICY

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

- An extensive range of films, in which everyone can find one that is to his or her liking;
- Modern, comfortable and easily accessible cinemas and theatres;
- Providing a high-quality service to customers, where the well-being and safety of customers and employees are paramount.

From the start of the global outbreak of the Covid-19 virus, Kinopolis has developed and implemented comprehensive safety protocols to protect the health of its customers and employees – in consultation with the competent authorities and sector federations in each country. These Covid-specific protocols will be explained in more detail in this chapter.

EVALUATION OF OUR POLICY: CUSTOMER SATISFACTION INDEX

The measurement of the efforts made by Kinopolis with regard to the customer experience is carried out on a continuous basis via the Customer Satisfaction Index (CSI) in Europe and the 'Tell Us About Us' guest survey in Canada. Both use almost the same criteria⁽¹⁾ to evaluate the quality of the customer experience offered. Kinopolis received a total of 223 825 completed surveys in 2020, 219 635 of which in Europe, and approximately 4 190 in Canada. It is important to note that the number of surveys was strongly influenced by the lower visitor numbers as

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

CUSTOMER SATISFACTION INDEX

	2019			2020 ^(*)		
	EUROPE	CANADA	TOTAL	EUROPE	CANADA	TOTAL
Number of completed customer surveys	540 193	17 000	557 193	219 635	4 190	223 825

(*) Lower number of surveys in 2020 due to significantly lower attendance figures as a result of long-term cinema closures and capacity constraints.

a result of the long-term closure of cinemas and capacity limitations. All the cinemas – depending on the country – were closed 30% to 50% of the time in 2020. The stimulation of online sales – also as a result of Covid-19 – had a slightly positive effect on the number of surveys in Europe.

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

The survey is not yet offered by email in Canada but, rather, via the website. Customers are encouraged by the cinema staff to fill in the survey, as well as by the messages in the pre-show. Landmark Cinemas will implement the CSI working method of Kinepolis in 2021, and will review its survey in terms of both process and content. This implementation was originally planned for 2020, but was delayed due to the impact of Covid-19.

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

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



MOVIE LOVER EXPERIENCE AWARDS



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

COVID-19 SAFETY PROTOCOL

In the past year, Kinopolis has made every effort to offer film enthusiasts a safe opportunity to relax outside the home, thereby contributing to the well-being of its customers in difficult times.

As part of a safe restart of cinemas after the first lockdown, Kinopolis – in consultation with sector federations and the relevant local authorities – developed protocols for its cinemas to protect everyone's health. Although these protocols had slightly different effects in each country where the Group is active and have been continuously adjusted according to current events, they all start from a common basis.

The basic Kinopolis protocol is based on the following pillars:

- Managing the flow of visitors to, from and in the cinema.
- Maintaining an appropriate social distance throughout the entire cinema visit.
- Strict safety and hygiene measures in all areas and in all interactions with staff.

In the concrete development of this protocol, measures were taken in the areas of seating capacity, programming and visitor flow, as well as ticket purchase and checking. The mouth mask obligation



'Social distance' floor stickers in Canada

and a (temporary) ban on the sale and consumption of snacks were also among the measures imposed in almost all countries.

Physical contacts between customers and employees were reduced to an absolute minimum. To this end, a switch was made to having ticket sales take place almost completely online in all Kinopolis cinemas.

Measures were also taken in the shops, among other things by facilitating the online sales of drinks and snacks (KineGo) – and limiting sales to this in certain periods – as well as limiting the offer to mainly pre-packaged products.

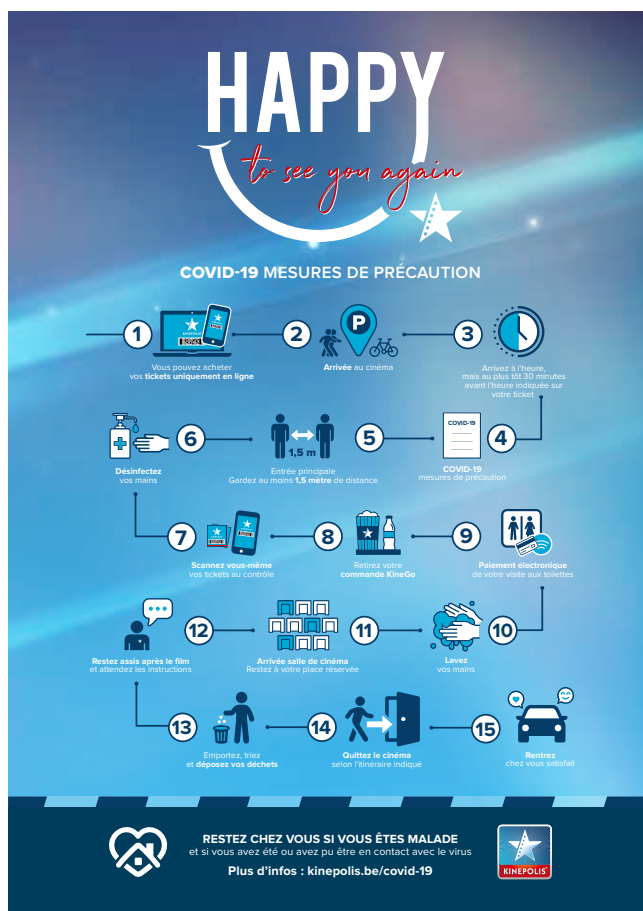
The number of film screenings was optimally distributed so that the number of cinema visitors could also be spread throughout the day in an optimum manner. Pauses during the film were cut in order to avoid any gatherings in the common areas.

The required flow for visitors is indicated by signage and markings on the ground. Visitor flows into and out of the cinema are separated, with seating options in the communal areas removed so as not to disturb the flow at any time.



Strict safety and hygiene measures, Landmark Cinemas

Example of the Kinepolis customer journey in Covid times



All safety measures were intensively communicated to our visitors through our online channels, as well as in the cinemas themselves. A special Covid-19 webpage was set up on both the Kinepolis and Landmark websites (www.kinopolis.com and www.landmarkcinemas.com respectively) with up-to-date information about the measures in the cinemas, as well as a list of frequently asked questions and answers. Numerous employees were also deployed in the cinema to guide visitors where necessary and to actively point out the applicable measures and the desired behaviour.

In addition, Kinepolis also reprogrammed its ventilation systems to ensure that a maximum supply of fresh outside air is used in all areas (instead of partially recycling used air, as is the case in normal times).

EVALUATION OF THE SAFETY PROTOCOL

In order to evaluate the above-mentioned safety protocol, the following question was added to the CSI survey: "How satisfied are you with the safety and hygiene measures taken in light of the Covid-19 pandemic?". Depending on the country, 84 to 89% of the customers⁽¹⁾ who completed the survey stated that they were satisfied to very satisfied with the measures taken in the Kinepolis cinemas (the rest were mostly neutral).

KPI CUSTOMER RATING OF THE SAFETY AND HYGIENE MEASURES TAKEN

84% to 89%
satisfied to very satisfied

(1) This score only relates to Kinepolis Europe, as this Covid-specific question was only part of the CSI survey and not of the 'Tell us about us' survey that Landmark uses in Canada.



CUSTOMER SUPPORT

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

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

Ever since the outbreak of the pandemic, Kinepolis has committed itself to limiting the impact on customers as much as possible, and to offering them

maximum support through its compensation policy. Customers were given the choice between a refund or a voucher for a cancelled screening (where customers had paid via a voucher, they received a voucher as standard). As a result of closures or other Covid-19 measures, a total of almost 24 000 compensation requests were handled in 2020. Online buyers were contacted proactively, while offline buyers could request compensation via a form on the website. Even when the cinemas were open, but customers decided to cancel their visit (for instance, because of symptoms of illness), they could still apply for compensation. Vouchers that had expired during the closure period were always extended, and the validity period of birthday vouchers was also adjusted.

PROTECTION OF CUSTOMER DATA

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

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

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

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

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

CYBER SECURITY

Kinopolis takes a whole series of measures to protect its IT systems, and thereby also its employees, customers and business operations, against cyber attacks. ICT risks (and the control measures to cover them) are discussed on a bi-weekly basis in the Cyber Security Committee, and are also a regular item on the agenda of the monthly ICT Steering Committee. They are also formally discussed in the Audit Committee at least once a year.

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

As a result of the outbreak of the Covid-19 pandemic and the intensive use of digital tools, cybersecurity efforts were expanded further over the past year. For example, investments were made in additional protection mechanisms. An active patch management policy ensures that all systems are closely monitored. A great deal of effort was also made internally to provide the company and employees with maximum protection against phishing and other types of cybercrime. These efforts are explained in the chapter on Caring for our employees.

A FILM PROGRAMME FOR EVERYONE

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

For example, Kinopolis programmes Bollywood blockbusters and Turkish hits in multicultural cities with large Indian and/or Turkish communities. In addition to Polish and Russian films, among others, there have also been experiments with Chinese and Japanese films in recent years.

Multicultural offer



In big cities, Kinopolis ensures an extensive multicultural offer

Furthermore, films with regional themes and films by (often start-up) filmmakers with strong regional roots are also given a platform in the relevant regional Kinepolis cinemas.

The Covid-19 pandemic caused a shortage of blockbusters in 2020, making it more challenging than ever for the programming teams of Kinepolis to program a diverse and attractive film offering. As such, smaller and local new titles were given a bigger stage. In addition, various re-runs and cinema classics also returned to the big screen.

CANADIAN FILM SPOTLIGHT

Landmark Cinemas Canada has a 'Canadian Film Spotlight' label for a carefully curated selection of Canadian films, highlighting titles from the Canadian Independent Film Series and other local distributors.



In order to promote local film culture, Landmark Cinemas also supported numerous local film festivals each year across the regions where Landmark operates. In 2020, however, most festivals were cancelled due to the Covid-19 pandemic.

LOCAL CONTENT

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

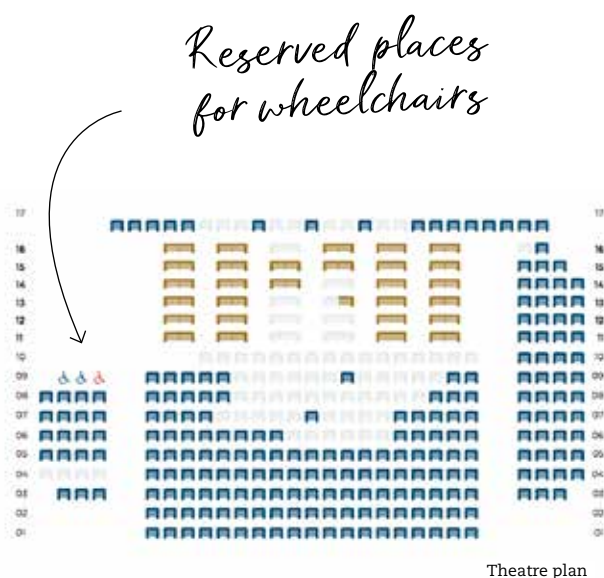
VISITOR SCORE PER FILM CUSTOMERS ADVISE CUSTOMERS ⁽¹⁾

The Customer Satisfaction Index (CSI) also measures the visitor score for each individual film in the Kinepolis programme, and this indicates the extent to which visitors would recommend the film they have just seen to others. The customer score is taken into consideration every week when programming films, making it an important indicator of how long a film will run in the cinema.

Kinepolis always publishes the visitor score of each film on its website, even if it is negative. In this way, customers advise each other on which films to see, with Kinepolis as the facilitator. The visitor score of a film also plays a role in the recommendations that Kinepolis makes to customers. The score is a factor in the Kinepolis' 'recommendation engine', a piece of artificial intelligence that, as far as possible, tries to identify which films from the current programme will appeal to the customer.



⁽¹⁾ Does not yet apply to Landmark Cinemas Canada.



NOISE STANDARDS

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

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

WHEELCHAIR ACCESSIBILITY

Kinepolis is committed to making as many theatres as possible accessible to wheelchair users. More than 90% of all Kinepolis theatres and 100% of all Landmark theatres are accessible for people with limited mobility, and most of them have reserved wheelchair spaces.



All recently-opened Kinepolis cinemas are 100% wheelchair accessible. In some cinemas, where not all the theatres are wheelchair accessible due to outdated infrastructure, Kinepolis ensures that films are screened in different auditoriums at different times, meaning that visitors with limited mobility are able to see all films. Kinepolis always provides clear information on the wheelchair accessibility of its theatres, both online and on site. When booking online, wheelchair-accessible seats are clearly marked on the theatre plan, enabling customers to reserve these places in advance when purchasing their ticket.



↖ Apps for the visually and hearing impaired

ACCESSIBILITY FOR PEOPLE WITH VISUAL OR AUDITORY IMPAIRMENT

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

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

Landmark Cinemas Canada has 'Fidelio' and 'CaptiView' systems in 28 of its cinemas to support movie enthusiasts with an audio-visual disability. Fidelio is a wireless storyline audio system adapted for both the visually and hearing impaired, and CaptiView is a closed captioning system for the hearing impaired or the deaf.

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



Taking the tram to Kinepolis Antwerp (BE)

MOBILITY

In order to avoid traffic problems around its multiplexes, Kinepolis encourages the use of alternative means of transport. Customers are informed as well as possible about the different ways of getting to the cinema. Most Kinepolis sites offer covered cycle parking facilities and the site is made accessible and open to public transport where possible.

Postcode research in Belgium in 2019 showed that 40% of Belgian Kinepolis visitors come by public transport, on foot or by bicycle. This rises to more than 60% in student cities such as Leuven or Ghent.

SOCIAL ENGAGEMENT

INCLUSIVE PROGRAMMING POLICY

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

As part of its B2B activities, Kinepolis has also created a schools programme, focusing on current topics from the curriculum and offering films with an educational file. Schools can benefit from strongly discounted prices in this regard. In this way, films can be a catalyst for discussion (e.g. about subjects such as 'Anti-bullying Week' and 'Safe Internet Day') or can introduce young students to another language or culture (e.g. 'Cinéperles', which provides an immersion in the French culture and language).

As part of its intensive contacts with schools, Kinepolis met the request from education centres in 2020 for extra infrastructure in order to allow exams and classes to continue to be held in compliance with the prevailing Covid measures. KU Leuven and Hogeschool Kortrijk (BE), among others, worked together with Kinepolis to enable their students to take exams or attend classes in safe conditions.



Hogeschool Vives allowed lessons to continue safely in Kinepolis Kortrijk



Kinepolis provided the additional infrastructure to allow exams and lessons to continue



LOCAL COMMUNITY INVOLVEMENT

Kinopolis also wants to accept its social responsibilities and increase its social engagement by supporting charities via sponsoring, organising or supporting benefit campaigns, or by stimulating social employment. In 2020, Kinopolis supported 'Tournée minérale', Minor-NDAKO and the '1000 km van Kom op tegen Kanker' in Belgium, Stichting Bio in the Netherlands and Kids Help Phone in Canada, among others. At the end of 2020, Kinopolis France also renewed its partnership with 'Les Restos du Cœur' to offer film screenings for vulnerable groups at a greatly reduced rate. These screenings will take place at Kinopolis Fenouillet, Rouen, Mulhouse, Thionville and KLUB Metz.

Kinopolis thanks local superheroes

After the first lockdown, Kinopolis France thanked everyone who had been on the front line in the fight against the Covid-19 virus ('les super-héros du quotidien' 'the everyday heroes and heroines'). 10 000 movie tickets were distributed to local superheroes, who participated in the campaign by submitting a photo of themselves in their workplace. Kinopolis then turned this into a thank-you spot that ran nationally in all its cinemas when the French cinemas re-opened.



Kinopolis Netherlands also set up a campaign in which customers could send in a video message to thank their personal superhero. 25 entries were selected to be shown on the big screen at the reopening of Dutch cinemas.

Donation of supplies of sweets to care centres and charities

During both the first and second closure periods, Kinopolis donated stocks of sweets to various care centres and charities. The St. Nicolas packages of the 'Moeders voor Moeders' (Mothers for Mothers) non-profit organisation in Antwerp (BE), for example, were provided with sweets by Kinopolis. 'Moeders voor Moeders' provides food and materials to families with young children who are struggling financially. The staff in various care centres were also treated to a tasty surprise from Kinopolis.



Kinopolis Netherlands supports the Stichting Bio foundation

From 2019 onwards, Kinopolis Netherlands has been making it easy for everyone to donate to the Stichting Bio foundation. Visitors can choose to round up their purchase amount at the ticket and shop desks in all 18 locations, and as such, donate their change to Bio via Kinopolis. Stichting Bio was founded by the Dutch cinema industry in 1927, and owes its name to it. The Foundation is committed to offering children with disabilities a relaxing holiday, such as in the Bio Vakantieoord (holiday resort) in Arnhem. Campaigns are also occasionally organised around a specific film, with part of the income going to this charity.

Landmark supports Kids Help Phone, among others

For many years, Landmark Cinemas has been a loyal partner of Kids Help Phone, Canada's only national helpline, which provides professional support and information to young people 24/7. Landmark supports the organisation via promotional campaigns in the cinema and through fundraising. Although the more typical annual fundraising campaigns were mostly cancelled in 2020 due to Covid-19, the Landmark teams participated in and supported the 'Kids Help Phone Never Dance Alone-A-Thon'. The organisation's 'Back to School' campaigns were also highlighted. This resulted in a contribution of 45 000 Canadian dollars in media support and fundraising to promote the mental health and well-being of young people across Canada.



Due to the major impact of the Covid-19 pandemic on the communities that the Landmark cinemas form part of, a 'ROUND UP' campaign was also carried out during the holiday season in which movie fans were invited to round up their payments in support of the local food banks. This gave the organisations involved the visibility they require, with Landmark contributing more than 25 000 Canadian dollars in media support and fundraising.



'ROUND UP' campaign in Canada



'Remembrance Day' in Canada



Last but not least, Landmark Canada commemorated war veterans in November (Remembrance Day), programming a selection of films that powerfully document the human sacrifices of WWI. Landmark donated 50 000 Canadian dollars to the Royal Canadian Legion Poppy Fund in media support and funds.

#Graffitipolis

The #graffitipolis project was launched in Mulhouse (FR) at the beginning of the summer of 2020. Kinopolis made the underground car park of its cinema in Mulhouse available to 7 local street artists, who were given 'carte blanche' to transform the car park into an open art gallery. Kinopolis is open to similar projects at other locations.





Plus est en nous

There's more inside us.

Our people

Thousands of employees are committed to providing millions of cinema visitors with an unforgettable movie experience every day. Kinopolis is aware that the talent and commitment of its employees is the driving force behind its success.

The Covid-19 pandemic had a serious impact on Kinopolis' business operations in 2020 and, consequently, on all its employees. Most of the employees have been fully or partially unemployed for a long time in the past year. Those who could work did so in challenging circumstances, showing great flexibility and commitment. The impact of the pandemic on the HR policy of Kinopolis will be explained further in this chapter.

OUR HR POLICY: 'PLUS EST EN NOUS'

The *Ultimate Movie Experience* begins and ends with the people who make their contribution every day, in front of or behind the screens. Kinopolis therefore aims for sustainable growth by attracting, nurturing and developing talent.

The Kinopolis Human Capital policy focuses on:

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

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

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

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



Employee at work during Kinopolis on Tour

EVALUATION OF OUR POLICY

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

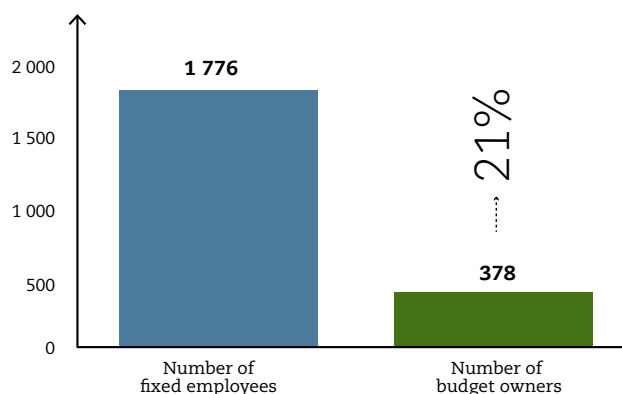
From 2019 onwards, all Canadian cinema teams of the Landmark Cinemas group, which was acquired in 2017, have also taken part in the so-called '5% exercise' (an annual improvement plan with the aim of lowering the company's break-even point), after the principle of budget ownership was introduced in all the cinemas. Since then, the Landmark teams, like their European Kinepolis colleagues, have themselves also been looking for improvement potential, using the processes, reporting and KPIs provided by Kinepolis. For the American MJR teams, this is included in the 2021 planning.

PEOPLE SATISFACTION INDEX

Kinepolis measures employee satisfaction every year by means of a People Satisfaction Index (PSI) survey. In Canada, this is called the Employee Engagement Survey, or EES. Employees are invited to share their experience of Kinepolis (or Landmark) as an employer in a completely anonymous way, indicating what they like and what they feel could be improved. The results are then discussed with the team and translated into concrete actions.

The EES survey in Canada took place in November 2020, achieving a response rate of 84%. The PSI survey that should have taken place in Europe at the end of 2020 was postponed to 2021 due to the impact of the Covid-19 pandemic and the consequent high unemployment and low availability of staff.

KPI NUMBER OF 'BUDGET OWNERS' IN RELATION TO THE TOTAL NUMBER OF EMPLOYEES AT THE END OF 2020⁽¹⁾



(1) The number of employees at the end of 2020 is considerably lower than in other years, due to the mandatory closures in almost all countries (no temporary employees). Due to the absence of temporary employees, the BO (budget owner) percentage compared to the total employee population is approximately twice as high as in a 'standard' year.

From the outbreak of the virus in March 2020, efforts have been made to ensure maximum health protection for employees – both in the office and in the cinema facilities – and to keep them involved in the company during long periods of inactivity. Feedback from employees was collected on an ongoing basis through contacts with supervisors and via Q&A sessions with management and the CEO.



HEALTH AND SAFETY OF EMPLOYEES

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

The health and welfare policy of Kinepolis was entirely focused on the Covid-19 pandemic in 2020.

Extensive safety protocols were drawn up to prevent the further spread of the virus and to offer maximum protection to employees in their jobs. These measures proved to be effective, as there was no outbreak among staff during the past year.

COVID-19 MEASURES FOR PROTECTING THE HEALTH OF EMPLOYEES

Ever since the start of the pandemic, Kinepolis has implemented strict measures to guarantee a safe workplace. These measures have been regularly adjusted according to the regulations determined by the respective authorities. In addition, employees have also been repeatedly reminded of their responsibility to comply with the applicable measures in their private time too.

The following principles apply in cinemas as well as in office spaces:

- Teleworking is the standard for office functions (recommendation or obligation in line with government guidelines);
- An appropriate social distance must be maintained at all times before, during and after work;
- Mandatory mouth mask in cinemas and at the office, in line with the measures imposed by the authorities;
- Regular disinfection of hands and paying attention to respiratory hygiene;
- Staying at home in the case of symptoms of illness and contacting your doctor for advice;
- Using the indicated entrances and exits, as well as the walking plan as indicated by markings on the ground (one-way traffic);
- Maximum number of people for common areas, such as kitchen and meeting rooms;
- Eating takes place individually in the workplace where possible, with sufficient distance from each other also maintained in the dining areas in cinemas;
- Individual use of lifts;
- Meetings take place virtually – even when you are in the same building – except when there is really no other option;
- Business travel is limited as far as possible, and is only allowed in consultation with HR, in compliance with the guidelines of the competent authorities in the respective countries.



Staff in the cinemas received a number of reusable face masks. The *Happy to see you again* masks consist of 2 layers with the OEKO-Tex certificate. In addition, disposable mouth masks are also available for employees in every cinema.



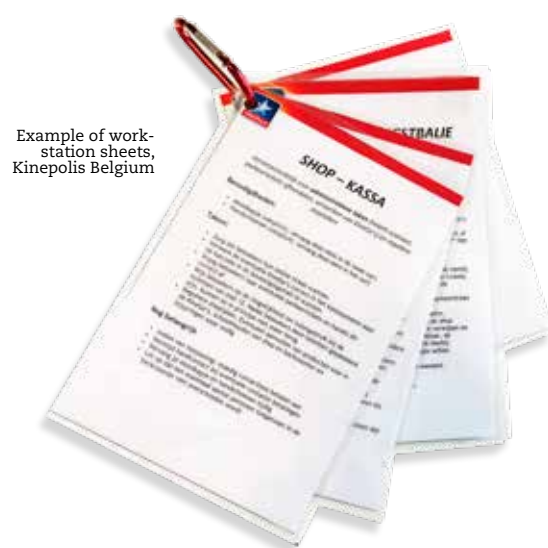
The following additional guidelines apply to cinemas:

- Recommendation to put on your uniform before leaving home;
- Replace gloves (cleaning/shop) after each performance;
- Disinfection of the dining area in staff areas.

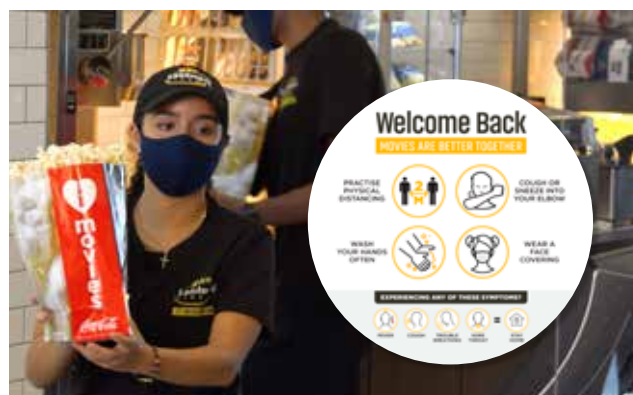
PROTECTIVE EQUIPMENT

Kinepolis has made protective equipment available to all employees, both in the complexes and in the Cinema Support Centres, namely mouth masks, gloves (for cleaning / shop), disinfecting hand gel and cleaning agent for office surfaces.

Cleaning activities were scaled up and the air ventilation systems in both the cinemas and office spaces were adapted to ensure a maximum supply of fresh air. All recirculation or mixing of the discharged air has been switched off. Prior to the reopening of cinemas, site visits were also carried out by operational managers to test the elaborated measures against reality. This led, for example, to the relocation of staff areas to the (unused) B2B areas, in order to be able to maintain social distancing as much as possible.



Example of workstation sheets, Kinepolis Belgium



LANDMARK 'FIT FOR WORK' PROTOCOL

There is an additional 'Fit for work' protocol for Landmark employees, prior to each work shift. A number of questions are asked to gauge any possible Covid-19 symptoms, and body temperature is also measured. If the employee answers positively to any of the questions and/or a temperature of more than 38°C is measured, the employee must return home.

COVID-SPECIFIC FUNCTIONS

A number of new jobs were created in both the Kinepolis and Landmark cinemas (Covid busters, sanitary stewards, etc.) to ensure that the Covid measures were strictly followed. A workstation sheet was created with a clear description of the new, Covid-specific tasks for each of these new jobs and other relevant functions.

TELEWORKING & CYBER SECURITY

Teleworking has been the norm for office jobs at Kinepolis since March 2020. Agreements regarding working hours and tasks are made between the relevant employee and manager on a daily basis. In order to enable a maximum amount of teleworking, Kinepolis has made additional investments in optimising IT infrastructure, with various efforts also made to monitor the security of networks and systems. For example, Kinepolis has invested in additional security for incoming e-mail messages, in a new VPN connection and in 2-factor authentication for the entire Office 365 environment. In addition to the active monitoring of user account behaviour, Kinepolis has also launched phishing campaigns on a regular basis in order to keep the alertness of employees at a high level.

WELL-BEING OF EMPLOYEES

Due to the far-reaching impact of the pandemic on the activities of Kinopolis, all employees were affected by a sharp reduction in their working hours and/or changed and often challenging working conditions (e.g. mandatory wearing of a mouth mask while performing the job, teleworking, etc.).

Attempts were made via various initiatives to safeguard the welfare of employees by keeping them informed and involved in the company to the greatest possible extent. Use was made of the familiar internal means of communication, personal contact moments with the manager and ad hoc initiatives in different teams.

CANADA – WELLNESS NEWSLETTER

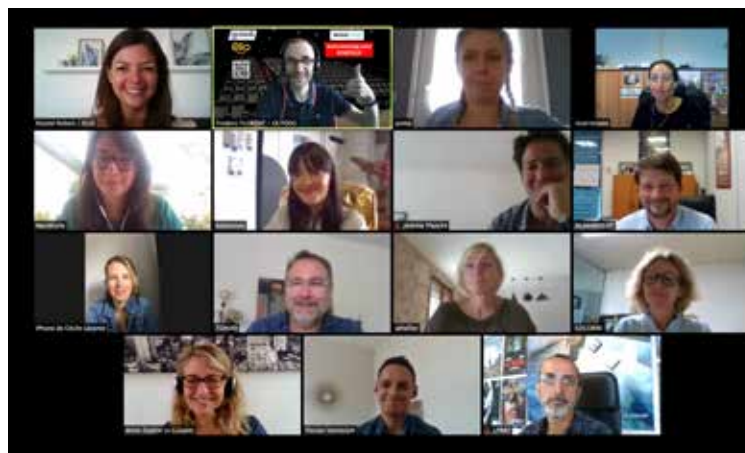
In order to promote the mental health of its employees, Landmark Cinemas set up a 'Wellness Committee'. Among other things, this committee worked on a monthly wellness newsletter and set up various challenges aimed at the well-being of the entire Landmark community. These initiatives stimulated the team to recharge itself and connect with friends, family and colleagues.

INFORMAL TEAM MOMENTS

Various managers have organised informal, digital contact moments for their teams on a regular basis.

CEO COMMUNICATION

Since the outbreak of the pandemic, a broad internal statement has been communicated by the CEO at least once a month. This has taken place via a monthly email update, video messages and digital Q&A sessions. On each occasion, an update was provided on the current state of the company and the sector, on small and large successes that have been achieved and on the strategy to be pursued with a view to a sustainable future. The approach of these communications was at all times aimed at retaining and motivating employees, as well as thanking them for their understanding and their efforts.



Digital 'Boost-up' workshop for the French marketing team in July, 2 weeks after the reopening of the French cinemas.

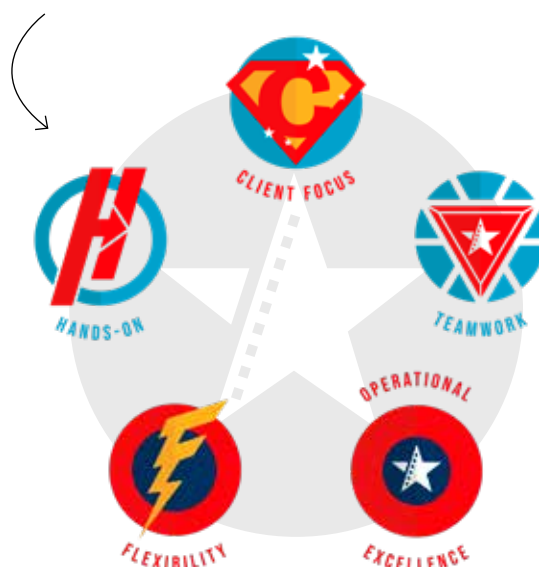
FINANCIAL SUPPORT MEASURES

The company called on the support measures provided by the relevant authorities in all the countries in which Kinopolis operates. These support measures varied from country to country, and had a different impact on the employees involved. In the Netherlands, France and Canada, employees continued to work, while Kinopolis was financially compensated by the government. Employees in Belgium and other countries were given technical unemployment status. In this case, employees were compensated by the government directly.

As far as possible, Kinopolis has taken action to alleviate the financial impact for its employees. For example, all Spanish employees – where the government administration ran into serious delays – were able to receive an advance payment on their holiday pay, if desired. In America, Kinopolis met the health insurance needs of the MJR employees (who would otherwise lose their insurance after a certain period of unemployment) and, in the absence of an official decision on the assimilation of holiday pay and end-of-year bonus in Belgium, Kinopolis itself took the decision in favour of employees.



Kinopolis values



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. Putting the customer first, working together constructively with a common goal in mind, performing your job correctly and efficiently, dealing flexibly with changes and with a sense of initiative and entrepreneurship: everyone is expected to implement each of these aspects individually and as a team. 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 company's values.

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

Landmark core values



KINEPOLIS ACADEMY



Training – for every employee – is another important aspect of the Human Capital policy.

The 'Kinopolis Academy' helps employees develop their personal skills, also through e-learning. Many training courses are organised on the work floor, with more senior employees assuming a coaching role to help new employees during their onboarding process. There are also personal coaching programmes for managers, and 'Insights Discovery' training courses have been organised for teams since 2017.

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

The 'Star(t)s' training courses relate to general modules for new employees (e.g. safety, K-Values, GDPR), with the 'Professional' module containing job-specific training, 'Lead' offering training for novice and experienced managers, and 'Develop' focusing on personal development needs, such as language training or an individual coaching process.

Following the outbreak of the Covid-19 pandemic in early March 2020, normal training activities have been severely disrupted. The training courses that did take place focused on the implementation of

Covid-19 measures in our cinemas. These courses were organised on a country by country and cinema by cinema basis, via e-learning and on-the-spot training. In the run-up to the re-opening of the cinemas, test days were organised at various locations – including test audiences – to ensure that everything would run smoothly and safely for employees and customers, and to make adjustments where necessary.

TALENT FACTORY

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

Under the name 'Talent Factory', Kinopolis offers a framework and toolset for identifying and coaching talents, in order to further develop its human capital in this way. Talents within the company are identified with an eye to the possibility of development and promotion, with job opportunities always communicated internally. After all, internal mobility leads to greater employee commitment and deployability. 'Talent reviews' are organised with managers throughout the year in order to identify and highlight the talent and development of their employees. Employees are encouraged to give their input regarding their own career in open dialogue with their line managers.

Given the impact of the Covid pandemic, which resulted in high unemployment and few or no recruitments, career opportunities for employees were limited in 2020. Efforts were made, however, to make maximum use of internal capacity by giving the opportunity to staff who were in a state of technical unemployment to temporarily support other departments where necessary.



SELF-LEARNING ORGANISATION

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

As stated above, since 2019 a new organisational structure has also been implemented in Canada, as the basis for introducing and facilitating the self-learning corporate culture of Kinopolis. The foundations for this will also be laid in the acquired American organisation in 2021.

SELF-INNOVATING ORGANISATION

With the introduction of the Kinopolis Innovation Lab, which encourages employees to submit innovative ideas and then elaborate them further together with a project team, Kinopolis strives to be both a self-learning and a self-innovating organisation. Everyone at Kinopolis – from student to manager – is encouraged to think outside the box and dare to be 'entrepreneurial'.

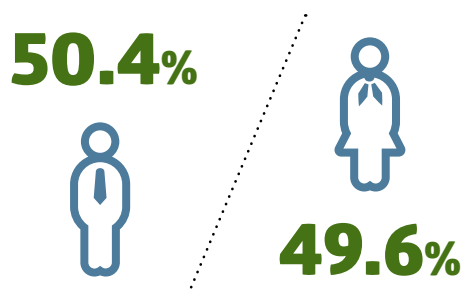
Every quarter, the best ideas are selected by an Innovation Lab jury, and teams are put together to flesh them out and implement them. In this way, the Innovation Lab also ensures that employees collaborate more across departments.

'Innovation Awards' are presented for the best ideas each year. And even if a project turns out to be unsuccessful, the initiator is still rewarded with an entrepreneur bonus. The Innovation Lab has not yet been introduced in North America, but it is planned for a later stage.

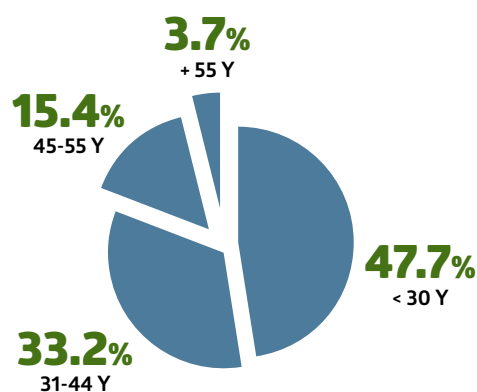
The operation of the Innovation Lab was seriously disrupted by the Covid pandemic in 2020. Even when cinemas were closed, however, Kinopolis continued to work on innovation with a view to developing new sources of revenue in light of the current market context. In addition to elaborating concrete, creative solutions to the Covid challenges (adapting seat reservation systems, etc.), cross-departmental teams also set to work on completely new projects, such as *Kinopolis on Tour*, home delivery services and *Private Cinema*.



M / F RATIO



AGE DISTRIBUTION





Drive-in cinema Kinopolis on Tour in Maldegem (BE)



Private+ cinema, MJR Digital Cinemas

*Creative
'Covid innovations'*



Home delivery service

CONSTRUCTIVE DIALOGUE WITH SOCIAL PARTNERS

Based on the governance framework, Kinopolis strives to achieve a social dialogue and a long-term relationship with its employees and/or relevant 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.

DIVERSITY

Kinopolis respects the individuality of each of its employees, and is committed to giving everyone equal opportunities. We endeavour to mirror the diversity of society in our workforce with regard to age, gender, origin and so on. In 2020, Landmark Cinemas Canada reviewed and adjusted its internal procedures, as well as its recruitment approach and training, in order to focus more on diversity and inclusion in the workplace.

KINOPOLIS AS THE FIRST WORK EXPERIENCE FOR STUDENTS

Kinopolis again employed hundreds of students in Belgium in 2020. Given the impact of the pandemic on its activities, however, there were far fewer of them than in previous years. Corona was also a blow to their personal accounts for our many working students during the long periods of closure, and they also missed their close network of friends and colleagues.

Student workers at Kinopolis commit themselves to working 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 and the coordination of events. In this way, Kinopolis provides hundreds of young people with their first work experience and helps them to acquire a whole range of professional skills, such as working in a team and taking on 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.

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In addition to the comfort of visitors and employees, the green parameters are also central elements in both the design of new complexes and the renovation of existing ones.

Kinepolis aims to minimise its ecological footprint through its choice of energy sources and building materials.



Artist impression of Kinepolis Leidschendam (NL)

Care for the environment



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

GREEN STAR POLICY

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

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

The main objective of the above-mentioned policy measures is to systematically optimise, or at least hold the level of energy consumption in check. As a Key Performance Indicator, Kinepolis has been measuring the development of the energy consumption within the Group (expressed in kWh/m²) since 2019. Due to the limited activity and long-term closures of all the cinemas, this KPI is not considered relevant for the year 2020. Full reporting including Landmark Cinemas Canada is expected from 2021.

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

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

SUSTAINABLE REAL ESTATE

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

KPI ENERGY CONSUMPTION OF KINEPOLIS GROUP⁽¹⁾ IN 2019 (KPI NOT RELEVANT IN 2020)

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

⁽¹⁾ Excluding Landmark Cinemas and MJR.

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

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

- The installation of additional insulation during roofing work;
- The insulation of parking spaces under the theatres;
- The use of water-permeable asphalt when renovating parking lots, in order to take advantage of the absorption capacity of the soil;
- Installing rain drains to catch surface water;
- The installation of updated control systems for heating and cooling (e.g. BaOpt and Optivolt);
- Replacing the existing floors in our shops with Gerfloor, a 100% recyclable PVC flooring that is free of formaldehyde;
- Installation of water-saving technology in sanitary areas.

SOLAR PANELS

Kinepolis 's-Hertogenbosch has had a photovoltaic installation since the beginning of 2019. Solar panels were also installed on the roof of Kinepolis Braine-L'Alleud in 2020. This installation will lead to estimated energy savings of 20 to 25% for the cinema complexes concerned. Given the impact of Covid-19, the installation of solar panels in other cinemas is not included in the investment planning for 2021, but will be further evaluated at a later date (to include, among others, the cinemas in Breda, Utrecht, Madrid and Granada).



GPR CERTIFICATION

The Kinepolis cinemas in 's-Hertogenbosch (photo) and Dordrecht received the Dutch GPR certification, a label for sustainable real estate based on five themes (energy, environment, health, user quality and future value).

APPLICATION OF ADVANCED ENERGY-SAVING TECHNIQUES

Kinepolis has been able to reduce power consumption year after year through the intensive monitoring and adjustment of its technical systems. Kinepolis systematically measures and assesses power consumption in its cinemas and, where possible, takes steps to reduce the consumption further. In the Kinepolis cinemas in 's-Hertogenbosch and Haarlem, for example, the air treatment installation was fitted with a frequency-controlled variable pressure system.



Kinepolis Braine-L'Alleud (BE)



OPTIVOLT

In January 2017, Kinopolis used the Optivolt systems for the first time to reduce power consumption at

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

This is a revolutionary control technology that achieves a much more natural and pleasant indoor climate, while consuming up to 40% less energy compared to traditional air-conditioning systems. Kinopolis will now opt for this technique as standard for new-build cinemas.

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

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

Kinopolis continues to look for ways to reduce its energy consumption. For instance, the heat generated in the projection booths is being used to heat the foyers, where possible. Another example is the switch from open to closed popcorn warmers.

Closed popcorn warmers consume between 30% and 60% less power than open ones. Kinopolis has replaced dozens of popcorn warmers every year since 2017.

SAVING WATER

Kinopolis is also mindful of its water consumption, and is implementing various measures to reduce water consumption and prevent waste. Ipee technology was installed in the toilets at several cinema complexes, for instance. These are smart sensors that adjust the flushing in the urinals after every use, in order to ensure optimal hygiene without wasting water. In the brand new cinema in Leidschendam (opened in March 2021), this technology was not only applied to the urinals, but also to the ordinary toilets for the first time. In recent years, Kinopolis has also replaced the traditional washbasins in most complexes with automatic, water-efficient taps based on optical detection.



SUSTAINABLE TECHNOLOGY

LASER PROJECTION

An important step in the Kinopolis sustainability policy was the digitisation of the projection systems. This technological development 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 fully opted for 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-build cinemas and replacements of older models in existing complexes.

Laser projectors guarantee sublime image quality while also using 30 to 40% less energy than xenon lamp projectors. Moreover, the absence

of lamps also reduces the need for cooling, and lamp replacement is, of course, now a thing of the past.

The laser replacements were largely on hold last year, due to the impact of Covid-19. As part of the agreement with Cinionic, Kinopolis had installed 210 laser projectors by the end of 2020, representing an annual energy saving of over 1.8 GWh. In total, Kinopolis had 257 cinemas equipped with laser projection by the end of 2020, 232 of which in Europe and 25 in Canada. Due to the relatively new projection systems in the Landmark cinemas, we have not yet proceeded with a broad replacement of the current projection systems with laser projectors in Canada. The cinemas that were newly opened in 2019, however, are fully equipped with lasers, including a laser ULTRA screen.



Barco laser projectors from Cinionic



Landmark Cinemas ticket machines



Mobile ticketing

*Everything can be done
via smartphone or tablet*



Kinepolis ticket machines

ONLINE AND MOBILE TICKETING

The increasing importance of online and mobile ticket sales also reduces the ecological impact of Kinepolis' operations. Some years ago, Kinepolis was one of the first cinema operators to introduce numbered and reserved seating, thereby stimulating the sales of online tickets.

In 2020, 51% of the tickets were purchased online or via the app in Europe, and 53% in Canada. With mobile ticketing, customers can purchase tickets on their smartphone or tablet, and don't need to print them out to go to the cinema. Customers who purchase tickets at the ticket machines in European cinemas can also enter without a printed ticket.

WASTE SORTING



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

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

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

In Belgium and the Netherlands, Kinepolis works together with Fost Plus (BE) and Milieu Service Nederland (NL) for (test)projects relating to waste sorting.

IN-THEATRE SALES OPT FOR SUSTAINABLE SOLUTIONS

In addition to replacing the open popcorn warmers with the closed version (see earlier), Kinepolis switched to paper drinking straws in its Belgian cinema complexes, with the plastic candy bags replaced by a paper version. The nacho trays in the shops are made of cardboard, and the plastic nacho trays in the pop-ups are being replaced by trays made of (fully compostable) sugar cane. The lids for cola-cups will also be modified to eliminate all single-use plastic.

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

CLOSE THE GAP

Kinepolis donates written-off computers, laptops and servers to 'Close the Gap', an organisation that gives this kind of material a second life in developing countries. In this way, we do our part to give as many people as possible access to technology and education. Kinepolis donated a total of 50 laptops and desktops in 2020. Together with Close the Gap, we ensure that the hardware is also returned to Europe afterwards, where it is taken apart in an ecological way.



Old Kinepolis IT hardware is given a new life in developing countries and thereby offers young people additional opportunities, e.g. in Malawi (photo).



CLIMATE CHANGE

As Kinopolis is purely a service company and does not have any highly polluting activities, a report on its CO₂ emissions is less relevant. Kinopolis does, however, always strive to make its cinema complexes easily accessible, whether by public transport, bicycle or car.

By introducing the teleworking obligation and severely restricting business travel, Kinopolis contributed to a general reduction in CO₂ emissions as a result of the Covid-19 pandemic. Although this traffic will increase again after the pandemic,

Kinopolis expects to continue teleworking and video-conferencing in a more permanent form, so that traffic will by no means return to pre-pandemic levels.

In its risk analyses (see part III, page 32), Kinopolis takes account of possible natural disasters as a result of global warming that could affect its operations and, where possible, takes appropriate action to anticipate these and to minimise the risks.

Integrity in business



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

KPI % OF EMPLOYEES WHO HAVE SIGNED THE CODE OF CONDUCT IN 2020 ⁽¹⁾

 **100%**

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

In addition, the Kinopolis management is made particularly aware of the anti-corruption and bribery policy through compulsory training courses on risk management and control measures. Employees are encouraged to immediately report any potential risk situations to their line manager, making use of the formal 'whistle-blower' procedure or otherwise, so that they can be handled appropriately.

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

RESPECT FOR HUMAN RIGHTS

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

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



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This Sustainability Report is available
in English, French and Dutch.



WWW.KINEPOLIS.COM/CORPORATE



KINEPOLIS GROUP | FINANCIAL REPORT

2020

PART III

FINANCIAL REPORT

KINEPOLIS GROUP

2020

This Financial Report is a component of the Kinepolis Group Annual Report 2020, which consists of three parts:



PART I
COMPANY REPORT



PART II
SUSTAINABILITY REPORT



PART III
FINANCIAL REPORT

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Key figures and ratios ⁽¹⁾

KEY FIGURES

Reconciliations, glossary and APMs on pages p. 122-126

NUMBER OF COMPLEXES ^{(2) (3)}	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	UNITED STATES	LUXEMBOURG	OTHER (POLAND, SWITZERLAND)	TOTAL
2020	11	14	46	8	20	10	3	2	114

VISITORS (MILLIONS) ⁽⁴⁾	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	UNITED STATES	LUXEMBOURG	SWITZERLAND	TOTAL
2019	8.12	7.39	11.66	6.18	4.53	1.37	0.98	0.11	40.34
2020	2.30	2.11	2.66	1.56	2.00	1.10	0.29	0.04	12.05
2020 compared to 2019	-71.7%	-71.5%	-77.2%	-74.8%	-55.7%	-19.6%	-70.8%	-65.7%	-70.1%

CONSOLIDATED INCOME STATEMENT (IN '000 €)	2016	2017	2018	2019	2020
Revenue	324 938	355 427	475 880	551 482	176 282
EBITDA	91 650	103 186	117 187	172 339	17 188
EBITDAL				142 357	-13 981
Adjusted EBITDA	94 574	104 292	118 999	174 148	17 492
Adjusted EBITDAL				144 166	-13 677
Gross result	100 209	113 395	130 229	157 596	-43 357
Operating result	63 207	72 915	79 130	101 037	-65 663
Financial result	-7 619	-8 213	-12 371	-23 726	-26 052
Result before tax	55 588	64 702	66 759	77 311	-91 715
Result	47 646	49 067	47 409	54 372	-69 111
Adjusted result	40 413	44 745	47 522	56 003	-68 678

ANNUAL GROWTH RATES	2016	2017	2018	2019	2020
Revenue	7.7%	9.4%	33.9%	15.9%	-68.0%
EBITDA	3.3%	12.6%	13.6%	47.1%	-90.0%
EBITDAL					-109.8%
Adjusted EBITDA	4.0%	10.3%	14.1%	46.3%	-90.0%
Adjusted EBITDAL					-109.5%
Gross result	0.6%	13.2%	14.8%	21.0%	-127.5%
Operating result	-3.1%	15.4%	8.5%	27.7%	-165.0%
Result	47.7%	3.0%	-3.4%	14.7%	-227.1%
Adjusted result	-6.5%	10.7%	6.2%	17.8%	-222.6%

(1) As of 1 January 2019 IFRS 16: Leases is applied.

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

(3) Number of cinemas on publication date.

(4) Excluding Cinema City Poznań (Poland).

CONSOLIDATED BALANCE SHEET (IN '000 €)	2016	2017	2018	2019	2020
Non-current assets	424 122	514 518	558 150	1 149 043	1 097 121
Current assets	79 324	206 437	122 704	134 779	71 059
TOTAL ASSETS	503 446	720 955	680 854	1 283 822	1 168 180
Equity	149 898	176 394	177 617	211 253	126 496
Provisions and deferred tax liabilities	25 531	35 849	35 640	23 728	16 126
Non-current loans and borrowings	207 278	342 106	272 677	479 513	469 882
Non-current lease liabilities				383 052	358 317
Current loans and borrowings	6 996	39 873	69 790	10 099	76 599
Current lease liabilities				33 091	35 295
Trade and other payables	100 160	116 466	117 516	139 848	84 778
Others	13 582	10 267	7 614	3 238	687
TOTAL EQUITY AND LIABILITIES	503 446	720 955	680 854	1 283 822	1 168 180

DATA PER SHARE ⁽⁵⁾	2016	2017	2018	2019	2020
Revenue	11.94	13.05	17.67	20.52	6.56
EBITDA	3.37	3.79	4.35	6.41	0.64
EBITDAL				5.30	-0.52
Adjusted EBITDA	3.48	3.83	4.42	6.48	0.65
Adjusted EBITDAL				5.36	-0.51
Result	1.75	1.80	1.76	2.02	-2.56
Adjusted result	1.48	1.64	1.76	2.08	-2.55
Equity, share of the Group	5.51	6.48	6.59	7.85	4.71
Gross dividend ⁽⁶⁾	0.87	0.91	0.92		
Pay-out ratio	50%	50%	52%		

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

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

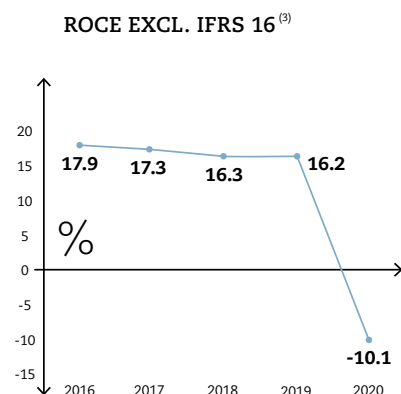
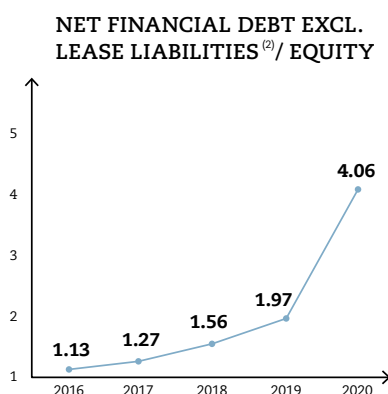
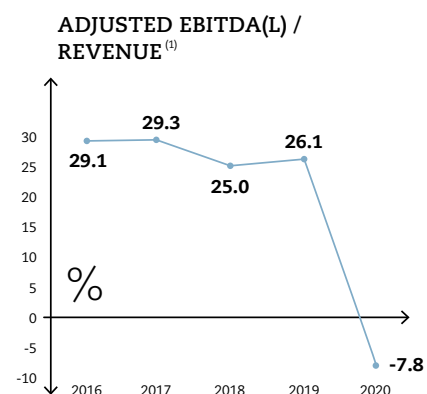
RATIOS

Reconciliations, glossary and APMs on pages p. 122-126

PROFITABILITY RATIOS	2016	2017	2018	2019	2020
EBITDA / Revenue	28.2%	29.0%	24.6%	31.3%	9.8%
EBITDAL / Revenue				25.8%	-7.9%
Adjusted EBITDA / Revenue	29.1%	29.3%	25.0%	31.6%	9.9%
Adjusted EBITDAL / Revenue				26.1%	-7.8%
Gross result / Revenue	30.8%	31.9%	27.4%	28.6%	-24.6%
Operating result / Revenue	19.5%	20.5%	16.6%	18.3%	-37.2%
Result / Revenue	14.7%	13.8%	10.0%	9.9%	-39.2%

FINANCIAL STRUCTURE RATIOS EXCL. LEASE LIABILITIES	2016	2017	2018	2019	2020
Net financial debt				416 950	513 281
Net financial debt / EBITDAL				2.93	-36.71
Net financial debt / Adjusted EBITDAL				2.89	-37.53
Net financial debt / Equity				1.97	4.06
Equity / Total equity and liabilities				24.3%	16.3%
Current ratio				0.92	0.46
ROCE excl. IFRS 16				16.2%	-10.1%

FINANCIAL STRUCTURE RATIOS	2016	2017	2018	2019	2020
Net financial debt	169 751	224 310	276 818	833 093	906 892
Net financial debt / EBITDA	1.85	2.17	2.36	4.83	52.76
Net financial debt / Adjusted EBITDA	1.79	2.15	2.33	4.78	51.85
Net financial debt / Equity	1.13	1.27	1.56	3.94	7.17
Equity / Total equity and liabilities	29.8%	24.5%	26.1%	16.5%	10.8%
Current ratio	0.71	1.30	0.67	0.75	0.37
ROCE	17.9%	17.3%	16.3%	12.9%	-6.1%



(1) As of 1 January 2019 IFRS 16: Leases is applied. As of 2019 adjusted EBITDAL is included instead of adjusted EBITDA.

(2) As of 1 January 2019 IFRS 16: Leases is applied. As of 2019 the net financial debt excl. lease liabilities is included instead of net financial debt.

(3) As of 1 January 2019 IFRS 16: Leases is applied. As of 2019 ROCE excl. IFRS 16 is included instead of ROCE.

Share information

The Kinopolis Group share (ISIN: BE0974274061 / mnemo: KIN) has been listed on Euronext Brussels since 9 April 1998 under compartiment B (Mid Caps).

NUMBER OF SHARES

	2016	2017	2018	2019	2020
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⁾	27 214 153	27 232 851	26 936 217	26 872 851	26 884 346
Weighted average number of diluted ordinary shares ⁽²⁾	27 249 350	27 268 051	27 010 648	27 084 005	27 158 344

SHARE TRADING

	2016	2017	2018	2019	2020
Closing price at 31 December (in €)	42.50	55.66	48.80	59.20	34.75
Market value at closing price (in '000 €)	1 163 021	1 523 147	1 335 422	1 620 020	950 941
Lowest price of the year (in €)	35.2	42.1	42.6	45.8	18.8
Highest price of the year (in €)	42.7	61.3	61.4	62.3	62.0
Traded volume per year	3 484 211	3 891 319	4 590 753	3 224 004	19 055 736
Average traded volume per day	13 557	15 260	18 059	12 643	74 147

Source: Euronext

EVOLUTION SHARE PRICE AND VOLUME OVER THE LAST 5 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 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.

Market information

European cinema industry saw a € 6.2 billion box office drop in 2020

Cinemas all over the European continent saw a 70.6% drop in box office in 2020, accounting for a total decrease of € 6.2 billion in revenues compared to 2019. A similar 69.0% reduction could be observed in the European Union, resulting in a € 4.0 billion drop in revenues.

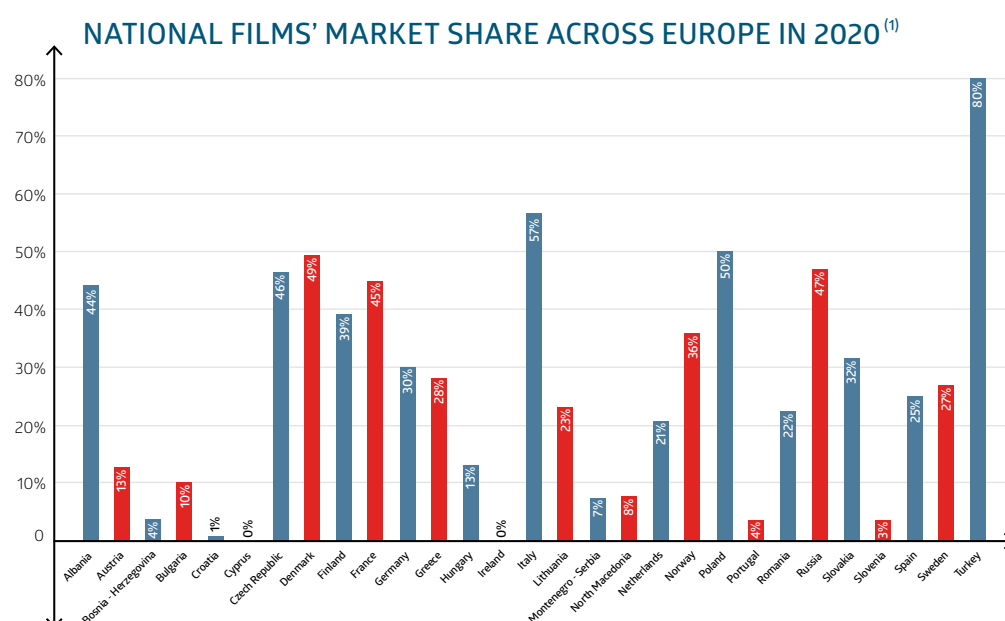
These challenging figures are the direct consequence of the impact on the cinema industry of the Covid-19 pandemic which has caused months of complete closure and occupancy restrictions across Europe and globally.

These figures come after a very successful 2019, when European cinemas grossed over € 8.8 billion at the box office and attracted more than 1.34 billion cinema-goers. In the European Union, cinemas had recorded their best results for 15 years, with admissions reaching the 1 billion mark for the first time since 2004.

Additional impacts on revenues, such as lost concession sales and screen advertising income as well as cancelled events, have put the cinema industry under significant financial strain, with thousands of staff members furloughed in the past months.

Despite all of these unprecedented challenges, cinema operators have shown their resilience and capacity to adapt, preparing and implementing detailed health and safety guidelines while launching reopening campaigns, all to ensure the safe return of staff and cinema-goers.

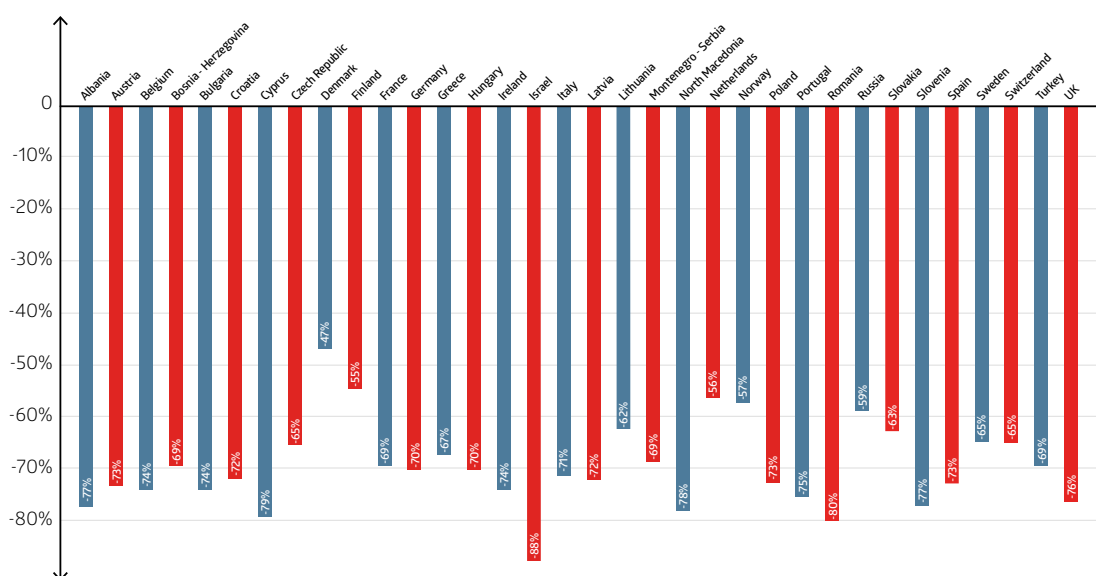
Despite a lack of new film content, in particular from the major US studios, cinemas have shown their essential role in the promotion of local content and European culture.



Source: UNIC – Press release dated 28 January 2020

⁽¹⁾ UNIC is the European trade grouping representing cinema exhibitors and their national trade associations across 38 European territories. All the figures above are preliminary estimates based on box office, with the exception of France where it is based on admissions. Figures for Montenegro and Serbia are collated due to local industry practices. Italian figures represent 95% of the market.

REDUCTION IN 2020 BOX OFFICE ACROSS UNIC TERRITORIES ⁽¹⁾



Source: UNIC – Press release dated 28 January 2020

(1) UNIC is the European trade grouping representing cinema exhibitors and their national trade associations across 38 European territories. All the figures above are preliminary estimates based on box office, with the exception of France where it is based on admissions. Figures for Montenegro and Serbia are collated due to local industry practices. Italian figures represent 95% of the market.

With the support of local distributors and producers, national films' market share reached new heights across the region, such as Denmark (49.4%), Czech Republic (46.4%), France (44.9%), Italy (56.6%), Russia (46.9%) and Poland (50%).

National governments and European institutions have introduced various support schemes since the start of the crisis, which have been crucial to cinema operators.



Discussion of the results

After a promising start of the year 2020 for Kinepolis, with a 12.0% increase in visitor numbers up to 12 March, the cinema industry was badly hit by the Covid-19 pandemic, with long periods of cinema closures and restrictive measures as well as repeated postponements of blockbuster movie releases.

As such, Kinepolis welcomed 12.1 million visitors in 2020, compared to initial expectations of more than 45 million visitors. Thanks to strong cost control and various measures that were taken, the EBITDA loss, adjusted for leases (EBITDAL), has been limited to € -14.0 million.

Kinepolis entered the crisis with a conservative debt ratio and a significant liquidity reserve, reinforced by the additional loan of € 80.0 million concluded at the beginning of 2021. Strong cost management, supported by the Group's significant real estate position, ensures that Kinepolis can confidently navigate through the crisis and can continue to cope with the negative effects of the Covid-19 pandemic for a considerable period of time. The Group had € 171.0 million of financial headroom at the start of 2021.

In recent months, management has focused on further consolidating its business strategy, resulting in a plan – called 'Entrepreneurship 2022' – which, based on further optimisation measures and innovation, should provide maximum support for the restart and performance of the Group from 2022 on. The construction of various new-build projects was also continued in the past year, and these new cinemas will also help support the restart.

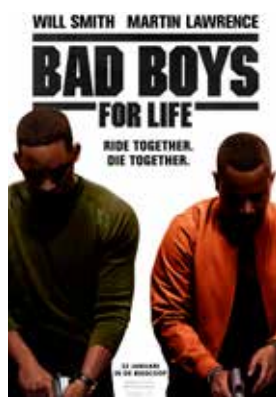


Kinepolis on Tour, Maldegem (BE)



Kinepolis Brussels (BE)

Film top 5
of 2020



VISITORS

The impact of the lengthy closures and the safety measures that were imposed, in combination with the lack of international releases, meant that Kinepolis welcomed only 12.1 million visitors in 2020 (-70.1% compared to 2019). The addition of the American cinemas, which were acquired in the autumn of 2019, did not weaken the drop in visitors, as the MJR cinemas were closed for most of the year.

We saw declines in visitors of more than 70% in all countries, except in the Netherlands (-55.7%) where the cinemas were open for longer periods and where successful local content partially compensated for the lack of Hollywood content.

The top 5 of 2020 was made up of *Bad Boys for Life*, *1917*, *Sonic The Hedgehog*, *Star Wars Episode IX: The Rise of Skywalker* and *Tenet*. The most successful local films were *F.C. De Kampioenen 4* and *The Bigfoot Family* in Belgium, *Ducobu 3.0* and *30 jours max* in France, *De Beentjes van Sint Hildegard* and *April, May en June* in the Netherlands, *Padre no hay más que uno 2: la llegada de la suegra* and *Adú* in Spain and *The Broken Hearts Gallery* in Canada.

REVENUE

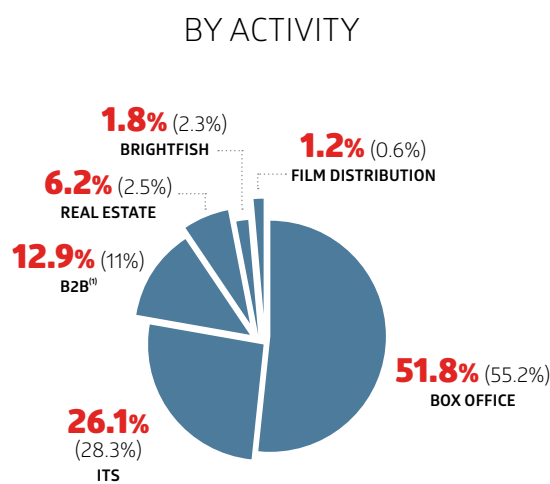
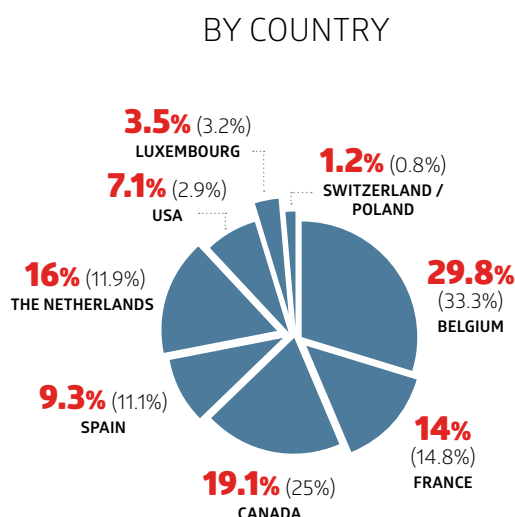
Total revenue in 2020 amounted to € 176.3 million. Revenue fell less sharply than visitor numbers, mainly thanks to the revenue from B2B, concessions and film distribution, which fell less sharply than visitors.

Visitor-related revenue decreased by 70.2%, and thereby remained virtually stable compared to the evolution of visitor numbers. Revenue from Box Office (BO) decreased by 70.0% and revenue from the sale of drinks and snacks (In-theatre Sales, ITS) fell by 70.5%. BO revenue per visitor showed a slight increase thanks to the increased weighting of the Netherlands, and ITS revenue per visitor decreased slightly due to restrictions on sales in many countries in the fourth quarter.

Revenue from B2B activities decreased by 62.4%, with Brightfish (the Belgian screen advertising agency) experiencing a 75.8% fall in revenue. Revenue from real estate activities, as well as from the Belgian film distribution branch (Kinopolis Film Distribution, KFD) declined less, by 21.4% and 35.6% respectively.

Box Office revenue amounted to € 91.4 million. BO per visitor decreased in almost all countries due to the absence of blockbusters and the resulting lower sales of premium products such as Cosy Seats, Laser ULTRA, 4DX and ScreenX, as well as a lower share of 3D. BO revenue per visitor increased in Spain, thanks to fewer price promotions in 2020 and an increase in ticket prices in 2019.

REVENUE IN 2020 (compared to 2019)



TOTAL 2020: € 176.3 MILLION
(2019: € 551.5 MILLION)

(1) Including screen advertising



Landmark Shawnessy Marketplace (CA)



Landmark Regina Birthday room (CA)

In-theatre Sales amounted to € 45.9 million, falling slightly more than the development in visitor numbers, due to less 'popcorn content' on the one hand and the restrictions on sales in many countries in the fourth quarter on the other hand. We saw a decline in revenue per visitor in almost all countries, except in North America, where both Canada and the US recorded an increase in the number of products sold per visitor.

B2B revenue decreased by 62.4%, partly due to a strong decline in screen advertising and a decrease in the sale of vouchers and events.

Real estate income decreased by 21.4% due to a decrease in the variable rent in amongst others Poland, allowances to tenants during the lockdown and a number of vacant concessions in Belgium and the Netherlands.

Revenue from **Kinepolis Film Distribution (KFD)** decreased by only 35.6%, despite fewer releases, mainly thanks to increased revenue from the after-theatrical catalogue (home entertainment).

Brightfish saw its income fall by 75.8%, due to the closure of the cinemas and a consequent sharp decline in both events and national and local screen advertising.

EBITDA

Thanks to the cost measures taken, EBITDA was positive, but decreased by 90.0%, to € 17.2 million. EBITDA adjusted for leases (EBITDAL) amounted to € -14.0 million. The EBITDA per visitor decreased from € 4.27 to € 1.43.

LOSS OVER THE PERIOD

Loss before tax amounted to € -91.7 million, but was partly offset by the creation of tax assets, resulting in a € -69.1 million loss for 2020, which is explained by the operating loss (EBITDAL), higher financial costs and depreciations through the investments in newly built complexes, as well as in acquisitions dating from 2019.

Net financial result increased, mainly due to the placement of bonds amounting to € 225.0 million in July 2019 and the partial withdrawal of the roll-over credit throughout 2020.

The effective tax rate at 24.6% was considerably lower than the tax rate of 29.7% in 2019.

The result per share amounted to € -2.56.

FREE CASH FLOW AND NET FINANCIAL DEBT

Free cash flow was € -56.5 million, compared with € 90.2 million in 2019. Free cash flow was negatively impacted by the working capital loss of € 24.3 million.

Free cash flow after expansion investments, dividends and the sale of assets amounted to € -94.8 million, including € 39.7 million investments in external expansion, with the construction of five new complexes in the Netherlands, France and Canada and the roll-out of experience concepts, such as ScreenX and Laser ULTRA, in the first quarter of 2020 in existing and acquired cinemas. Investments in maintenance were limited to € 5.6 million and were mainly in the first quarter due to the general investment stop following the first lockdown.





Laser ULTRA Screen in Landmark Calgary Market Mall (US)



Landmark Shawnessy (CA)

Net financial debt, excluding lease liabilities, increased by only € 96.3 million, mainly due to internal and external expansion for a total amount of € 39.7 million and a working capital loss of € 24.3 million due to the almost complete cessation of activities. Without these investments and the loss of working capital, the increase in net financial debt⁽¹⁾ was only € 32.3 million in a period of very limited turnover since mid-March.

Kinepolis is required to comply with conditions relating to, among others, the maximum debt ratio (covenants) on its bank debt. This relates to the roll-over credit of € 120.0 million (€ 66.5 million drawn on 31/12/2020) and a term loan of € 20.3 million. The new credit taken out at the beginning of January 2021 for an amount of € 80.0 million is also covered by these covenants. No covenants apply to most of the other liabilities. There is only an increase in interest on the private placement of 2019 if a specific debt ratio is exceeded. As a result of the Covid-19 pandemic, Kinepolis has reached an agreement with its financial institutions to allow a so-called 'covenant holiday' until 30 June 2022. This means that, among other things, the conditions relating to the maximum debt ratio in relation to the EBITDAL will be temporarily suspended until the half-year figures of 30 June 2022. These conditions, which only apply to bank debt, will be replaced by, among other things, a liquidity covenant, which means that the sum of the available cash and confirmed credit lines must be at least € 30.0 million during the term of this 'covenant holiday'.

Kinepolis Group had € 171.0 million in liquidity at the start of 2021, including the new credit of € 80.0 million concluded at the beginning of January.

Total gross financial debt, excluding lease liabilities, increased by € 56.9 million to € 546.6 million as per 31 December 2020, compared to 31 December 2019 (€ 489.7 million). This gross debt does not include the new credit of € 80.0 million with a term of 3 years, which was entered into at the beginning of January 2021.

BALANCE SHEET

Equity was € 126.5 million on 31 December 2020. Solvency was 10.8%, compared with 16.5% in 2019.

DIVIDEND

In view of the result and the current circumstances, the Board of Directors will propose to the General Meeting of 12 May 2021 not to distribute a dividend for the 2020 financial year.

(1) Net financial debt excluding lease liabilities.



Kinepolis 'Full' Barcelona (ES)

IMPORTANT EVENTS IN 2020 AND AFTER CLOSING DATE

KINEPOLIS FREE TO OPEN NEW CINEMAS IN BELGIUM FROM AUGUST 2021

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

RENOVATION OF THE 'FULL' CINEMA IN BARCELONA

In Barcelona (ES), the first closure was used to thoroughly renovate the 'Full' cinema, which was acquired in 2019. The cinema was, amongst other things, fitted with a completely renovated shop, entirely in line with Kinepolis' well-known self-service shop concept. The cinema in Barcelona, which has 28 screens and more than 2500 seats, will continue to operate under the established 'Full' brand.

SUCCESSFUL 'KINEPOLIS ON TOUR' DRIVE-IN CAMPAIGN

Kinepolis launched the *Kinepolis on Tour* drive-in cinema concept in Belgium at the beginning of the summer. Over the entire summer period, *Kinepolis on Tour* visited various locations to allow visitors to

enjoy a film on the largest mobile LED screen in the world from the comfort of their cars. *Kinepolis on Tour* hosted more than 16 000 cars this summer, spread over ten different locations. A new *Kinepolis on Tour* edition is planned for the Easter holidays and summer of 2021.

OPENING OF KINEPOLIS HAARLEM ON 8 OCTOBER

Kinepolis opened a new cinema in the Schalkwijk Centre in Haarlem (NL) on 8 October 2020. The cinema has 6 screens and 937 seats, and all screens are equipped with laser projection, including one with Laser ULTRA technology. The opening of a new cinema fits in with the redevelopment of Schalkwijk Centre. The project for the new cinema in Haarlem was acquired by Kinepolis as part of the acquisition of NH Bioscopen in January 2018.



Kinepolis on Tour drive-in cinema

KINEPOLIS LEIDSCHENDAM READY FOR OPENING

As soon as the situation permits, Kinopolis plans to open its new cinema in Leidschendam in the Netherlands, as part of the 'Westfield Mall of the Netherlands' project. This is a project by Unibail-Rodamco-Westfield, in which the Leidsenhage shopping centre was transformed into the largest shopping centre in the Netherlands. The opening of the new shopping centre is planned for 18 March. The cinema will have 11 screens and Kinopolis expects to receive around 500 000 visitors per year.

KINEPOLIS METZ WAVES READY FOR OPENING

Kinopolis also plans to open a new cinema in the Waves-Actisud commercial centre in Moulins-lès-Metz, France, in the first quarter of 2021. The cinema has 6 screens and around 900 seats. Kinopolis expects to receive around 300 000 visitors per year in this new French complex.

LANDMARK TAMARACK READY FOR OPENING

And in Canada too, a brand new Landmark cinema will open at the 'Grove on 17' site in the Tamarack region of southeast Edmonton, Alberta, as soon as the situation permits. All eight auditoriums will be equipped with the Landmark luxury 'recliner' seat concept in a complete stadium layout. The new cinema will be fully equipped with Cinionic Barco laser projection and will also have a *MarketPlace* shop, in line with the well-known Kinopolis shop concept.

LAUNCH OF KINEPOLIS HOME DELIVERY

During the lockdown in the spring of 2020, Landmark Cinemas Canada launched a home delivery service for cinema snacks, working together with Uber Eats, among others. This concept was also tested in Antwerp (BE) in December 2020. The *Kinopolis home delivery* service will soon also be available in Kortrijk, Leuven, Ghent and Liège (BE).



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LAUNCH OF 'PRIVATE CINEMA' CONCEPT

After more than seven months of closure, MJR Digital Cinemas successfully launched a 'private cinema' concept in October. Groups of up to 20 persons can reserve private screenings in our American cinemas. This concept has since been translated into a European variant, *Kinopolis Privé*, which was launched in Luxembourg on 24 February 2021, and is also planned for Belgium. This is an exclusive private film screening for your friends and family, up to 10 people, ensuring of course that social distancing between bubbles is guaranteed.

KINEPOLIS CONCLUDES A 3-YEAR CREDIT OF € 80.0 MILLION AND EXTENDS THE COVENANT HOLIDAY

In order to be prepared for possible longer delays before the full resumption of its activities, Kinopolis has taken out an additional loan of € 80.0 million with its main bankers for a period of 3 years. In this context, the banks also extended the suspension of the credit covenants ('covenant holiday') until 30 June 2022. These covenants – which include a maximum debt level – were replaced by a liquidity covenant following the extended suspension. In line with the existing bank credit facilities, the additional credit provides for a number of conditions that limit the disposal of assets, acquisitions and the payment of dividends above a financial debt level of 3.75. On account of its strong balance sheet, the rigorous cost control measures applied, the solid real estate position and the back-up of an 80% guarantee provided by Gigarant (a Belgian state guarantee fund), Kinopolis succeeded in concluding the additional credit at attractive commercial terms.

Corporate Governance Statement

The governance structure of the Company, and more specifically the role and responsibilities, the composition and the functioning of the Board of Directors, its advisory Committees and the Executive Management are described in the **Corporate Governance Charter** (the 'Charter'), of which a revised version was adopted by the Board of Directors on 23 February 2021, using the Belgian **Corporate Governance Code 2020** (the 'Code 2020') as a reference code.

The Board of Directors revised the Corporate Governance Charter at the beginning of 2021 in the light of the new Belgian Corporate Governance Code 2020 (the '2020 Code'), but has already applied these new governance rules as much as possible, with the central aim of ensuring long-term sustainable value creation for all stakeholders.

This chapter of the annual report provides more factual information on the Corporate Governance policy pursued in the financial year 2020, with the aim of applying the principles resulting from this charter as much as possible without affecting the unique character of the Company. Where necessary, the required explanation of the deviations from the Code is given in accordance with the 'comply or explain' principle.

The Charter can be consulted on the website of Kinopolis Group: www.kinopolis.com/corporate.

SHARE CAPITAL

The share capital on 31 December 2020 amounted to € 18 952 288.41, and is represented by 27 365 197 shares, without nominal value, all of which benefit the same corporate rights.

After the delivery of 11 495 shares under share options exercised by beneficiaries, Kinopolis Group held 480 851 treasury shares on 31 December 2020, with a capital value of € 333 022.52.

RIGHTS TO NOMINATE CANDIDATES TO THE BOARD OF DIRECTORS

According to the articles of association, 8 directors can be appointed from among the candidates nominated by 'Kinohold Bis', a public limited company under the laws of Luxembourg, insofar as it or its legal successors, as well as all entities directly or indirectly controlled by (one of) them or (one of) their respective legal successors (within the meaning of Article 1:20 of the *Belgian Companies and Associations Code*, (the 'BCAC')), solely or jointly, hold at least thirty-five per cent (35%) of the shares of the Company at the moment the candidate is nominated, as well as at the moment of appointment by the General Meeting, on the understanding that, if the shares held by Kinohold Bis SA or its respective legal successors, as well as all entities directly or indirectly controlled by (one of) them or (one of) their respective legal successors (within the meaning of Article 1:20 of the BCAC) represent less than thirty-five per cent (35%) of the capital of the Company, Kinohold Bis SA or its respective legal successors shall only be entitled to nominate candidates to the Board of Directors for each group of shares representing five per cent (5%) of the Company's capital.



SHAREHOLDER AGREEMENTS

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

CHANGE OF CONTROL

The Credit Agreement concluded on 15 February 2012 between Kinopolis Group NV and some of its subsidiaries on the one hand, and BNP Paribas Fortis Bank NV, KBC Bank NV and ING Belgium NV (and with the addition of Belfius Bank from 16 December 2019) on the other hand, and as amended and restated several times and most recently as of 8 January 2021, provides for a participating financial institution being able to end its participation in said agreement, whereby the relevant part of the outstanding loan amount will become immediately due if natural or legal persons other than Kinohold Bis SA (or its legal successors) and Mr Joost Bert acquire control (as defined in the Credit Agreement) of Kinopolis Group NV.

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

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

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

SHAREHOLDER STRUCTURE AND NOTIFICATIONS RECEIVED

Based on the notifications received pursuant to Article 74 of the Public Acquisition Bids Act of 1 April 2007 from Kinopolis Group NV, Kinohold Bis SA, Stichting Administratiekantoor (*Administration Trust Office*) Kinohold, Joost Bert, Koenraad Bert, Geert Bert and Peter Bert, acting by mutual agreement (either because they are 'affiliated persons' within the meaning of Article 1:20 of the BCAC or there is mutual consultation between them) collectively hold more than 30% of the voting shares of Kinopolis Group NV, from subsequent transparency statements (pursuant to the Act of 2 May 2007 and the Royal Decree of 14 February 2008 regarding the disclosure of major holdings) and from notifications within the framework of the share buyback programme, it is shown that, as of 31 December 2020:

- Kinohold Bis SA, held 12 700 050 shares, or 46.41% of the shares of the Company;
- Kinohold Bis SA is controlled by Kinohold, Stichting Administratiekantoor under Dutch law, which is in turn jointly controlled by the following natural persons (in their capacity as directors of the Stichting Administratiekantoor): Joost Bert, Koenraad Bert, Geert Bert and Peter Bert;
- Kinohold Bis SA shall continue to act in close consultation with Mr. Joost Bert;
- Kinopolis Group NV, which is controlled by Kinohold Bis SA, held 480 851 or 1.76% treasury 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.

The table below shows the situation based on the transparency notifications received under the Law of 2 May 2007. Any amendments communicated since 31 December 2020 have been published in accordance with the provisions of the above-mentioned law and can be consulted at www.kinopolis.com/corporate.

Shareholders' structure as per 31 December 2020

SHAREHOLDER	NUMBER OF SHARES	%
Kinohold BIS SA	12 700 050	46.41
Mr. Joost Bert	492 218	1.80
Kinopolis Group NV	480 851	1.76
Free Float, of which:	13 692 078	50.03
- BNP Paribas Asset Management SA	1 366 585	4.99
TOTAL	27 365 197	100%

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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

The Extraordinary General Meeting of 13 May 2020 made several amendments to the Articles of Association in order, among other things, to bring them into line with the BCAC introduced by the law of 23 March 2019, as well as introducing a new article regarding participation to the General Meeting by electronic means.

BOARD OF DIRECTORS AND SPECIAL COMMITTEES

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

COMPOSITION OF THE BOARD OF DIRECTORS

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

Furthermore, the Board regularly reviews the criteria for its composition and that of its committees in light of ongoing and future developments, expectations and the risks to which the Company may be exposed, as well as its strategic objectives. The Board pays due attention in this regard to complementarity and diversity among its members, including gender and age diversity, while ensuring that a balance is maintained between renewal

and continuity, in order to enable the acquired knowledge and history to be passed on efficiently, while still being able to stay on top of new social and other trends, both in the Board and its committees.

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 in 2018. In view of his extensive knowledge and experience in the national and international cinema sector, Mr. Bert is the right person to assist Mr. Duquenne, in his role as CEO, with the necessary support and advice, among other things with regard to strategy development, as well as to support the Board of Directors in conducting a high-quality dialogue with the shareholders, including the reference shareholders, and to thereby further contribute to sustainable value creation for the Company, with a focus on the long-term interests of all stakeholders.

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

Contrary to Stipulation 3.19 et seq. of the Belgian Corporate Governance Code 2020, the Board of Directors has not appointed a secretary, as it believes that, bearing in mind the limited size of the Company, these duties can be fulfilled by the Chairman, assisted by the Corporate Counsel.

The table on the next page gives an overview of the composition of the Board of Directors, as well as the attendance record of the various directors with regard to the 12 meetings that took place in 2020, of which 7 were scheduled and 5 were additional.



Joost Bert, Chairman of the Board of Directors

⁽¹⁾ Representing the reference shareholders



Composition of the Board of Directors

NAME	POSITION	END DATE	OTHER POSITIONS AT LISTED COMPANIES	ATTENDANCE OF MEETINGS (12)
Mr. Joost Bert permanent representative of Pentascoop NV	Chairman	2024	/	All meetings
Mr. Philip Ghekiere ⁽¹⁾	Vice-Chairman	2024	/	All meetings
Mr. Eddy Duquenne ⁽²⁾	Managing Director	2024	/	All meetings
Ms. Sonja Rottiers , permanent representative of SDL Advice BV	Independent director	2022	/	11 meetings
Ms. Marleen Vaesen , permanent representative of Mavac BV	Independent director	2022	Van de Velde NV: CEO	9 meetings
Mr. Ignace Van Doorselaere , permanent representative of 4F BV	Independent director	2021	/	10 meetings
Ms. Marion Debruyne , permanent representative of Marion Debruyne BV	Independent director	2021	Ackermans & van Haaren NV: Independent non-executive director	All meetings
Mr. Geert Vanderstappen , permanent representative of Pallanza Invest BV	Director	2022	Smartphoto Group NV: Non-executive director	All meetings

⁽¹⁾ Representing the reference shareholders

⁽²⁾ Executive director

ACTIVITY REPORT OF THE BOARD OF DIRECTORS

In view of the Covid-19 pandemic and its impact on the Company, the agenda of the Board of Directors was adjusted accordingly and, in addition to the tasks assigned to the Board of Directors by the BCAC, the Articles of Association and the Charter, mainly the following issues were discussed:

- the impact of the Covid-19 pandemic on the Company and the cinema sector, and the measures taken to minimise it at most;
- the commercial and financial results, together with forecasts;
- the cash planning, taking different scenarios into account;
- the long and short-term financing;
- the long and short-term strategy and strategic projects;
- the 2021 budget plan and the 2022 'Entrepreneurship' plan;
- the ongoing cinema and Real Estate projects;
- the governance structure of the Company;
- the variable remuneration of the CEO and the related management objectives;
- the ICT policy, including the ICT security policy.

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

At least seven meetings are scheduled for the year 2021. Additional meetings may be held if needed.

COMPOSITION AND ACTIVITY REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

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

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

The CEO may attend the meetings of the Nomination and Remuneration Committee by invitation, without participating in the deliberations or decisions.

The Nomination and Remuneration Committee met twice in 2020, headed by its Chairman, and all members of the committee were present.

The following topics were primarily discussed during these meetings:

- the remuneration policy in the light of the new relevant regulations;
- the remuneration report for the 2019 period;
- the evaluation of the 2019 management objectives for the CEO, and the variable remuneration linked to these;
- the management objectives for the CEO in the 2020 period, as well as the related variable remuneration;
- the renewal of directorship mandates.

COMPOSITION AND ACTIVITY REPORT OF THE AUDIT COMMITTEE

In accordance with the applicable rules in this respect, the Audit Committee is composed exclusively of non-executive directors, the majority of whom are also independent. The Audit Committee as a whole has the appropriate expertise with regard to accounting and auditing, and was composed as follows:

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

The CFO, the CEO, the Chairman of the Board of Directors, the Vice-Chairman and the internal auditor attend the meetings of the Audit Committee.

The representatives of the reference shareholders may attend the meetings by way of invitation.

In 2020, the Audit Committee, under the chairmanship of Mr. Geert Vanderstappen, met four times in the presence (or via representatives) of all members, and dealt mainly with the following items:

- discussion of the financial reporting in general, and of the annual statutory and consolidated financial report, the half-yearly financial report, and the related press releases in particular;
- discussion, establishment and monitoring of the internal audit activities, including discussion of the annual report of the Internal Audit department and the internal audit plan 2021;
- discussion of the impact of Covid-19 on the financial reporting;
- discussion and evaluation of the internal control and risk management systems, as well as the annual 'risk-management action plan';
- evaluation of the effectiveness of the external audit process;
- evaluation of the work of the internal auditor;
- monitoring of the financial reporting and its compliance with the applicable reporting standards;
- discussion and monitoring of the Non-Audit 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, with whom is communicated in the same transparent manner.

The results of the performance assessment carried out in 2019 by means of extensive questionnaires on the following topics were the subject of thorough discussion in 2020:

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

DIVERSITY

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

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

EXECUTIVE MANAGEMENT

Following the resignation of Mr Bert as managing director, Mr Duquenne, as CEO, is the only member of the Executive Management. The Board of Directors has the authority to appoint further members of the Executive Management, and discusses the succession plan for the CEO annually in an informal manner. Given the above-mentioned composition and the fact that no formal or informal 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, although the focus is 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.



Eddy Duquenne, Managing Director



INSIDER TRADING POLICY – CODE OF CONDUCT – TRANSACTIONS WITH AFFILIATES

The Dealing Code, approved in 2016 and updated in 2019, applies to the members of the Board of Directors, the Chief Executive Officer, persons closely related to the aforementioned persons, 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, as well as in accordance with the guidelines issued by the Board of Directors. As the Compliance Officer, the Chief Financial Officer (CFO) is responsible for monitoring compliance with the rules on insider trading, as set out in this Protocol.

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

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

REMUNERATION REPORT

GENERAL PRINCIPLES

Pending the approval of the updated remuneration policy that is to be submitted to the shareholders at the General Meeting on 12 May 2021, the remuneration for the 2020 period was allocated to the Board of Directors and Executive Management based on the principles set out in the 2019 Annual Report, and more specifically:

- The overall remuneration for the Board of Directors is determined by the General Meeting on the proposal of the Board of Directors assisted by the Nomination and Remuneration Committee; the General Meeting of 13 May 2020 thereby set the remuneration at a maximum amount of € 918 414.
- The distribution of the global portfolio is decided by the Board of Directors on the proposal of the Nomination and Remuneration Committee, based on the following principles:
 - The non-executive directors receive a fixed amount of € 32 500 for the performance of their duties as members of the Board of Directors, taking into account at least 6 attendances at the meetings of the Board of Directors; in the event of attending fewer meetings, the remuneration is reduced proportionally;
 - The members of the committees are allocated a fixed amount of € 3 000 per attendance of a meeting of the committee, with an additional fixed fee of € 3 750 for the Chairman of the Audit Committee;
 - The Chairman and Vice-Chairman of the Board of Directors are allocated a fixed annual amount for participation in the meetings of the Board of Directors and the committees, amounting to € 568 164 and € 100 000 respectively;
 - The Chief Executive Officer is allocated a fixed annual amount of € 30 000 for participation in the meetings of the Board of Directors.
- The non-executive directors do not receive any bonuses or share-related long-term incentive programmes, nor any benefits in kind (with the exception of the right to attend a number of film screenings each year).
- The Board of Directors determines the remuneration 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, in order to ensure that these remunerations are in line with market rates in relation to the tasks, responsibilities and management objectives to be fulfilled:

- As such, the fixed remuneration for the CEO (excluding the remuneration as a member of the Board of Directors) was set at € 725 242 and the maximum variable remuneration at € 485 000 (excluding any outperformance bonuses);
- The variable part of the remuneration is aimed at ensuring that the interests of Executive Management run parallel to those of the Company, that they lead to value creation, and provide the appropriate incentive to optimise the short-term and long-term objectives of the Group and its shareholders;
- 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. These targets consist of both quantitative and qualitative targets, with 30% of the variable remuneration being linked to the achievement of the qualitative targets, and 70% to the achievement of the quantitative targets. All the targets are formulated by the Board of Directors in such a way that they achieve not only the Group's short-term objectives, but also the long-term objectives;
- With respect to the quantitative objectives, the Board of Directors customarily used the evolution of the Adjusted EBITDA (formerly called 'recurring EBITDA') versus the targets set by the Board of Directors as performance criterion, as this criterion was the relevant parameter for measuring the development of value creation within the Company. If the Adjusted EBITDA realised for the relevant year is between the set objectives, an amount between 0 and 100% of the variable compensation linked to the realisation of the quantitative objectives will be paid pro rata;
- Due to the Covid-19 crisis, the formerly used financial objectives were reconsidered during 2020 and the manner the Company faces this crisis from an operational and financial point of view, was used as the parameter to evaluate the management;
- The qualitative objectives that must be realised over several years and are aimed at long-term value creation for the Company are evaluated annually on the basis of the progress achieved per specific objective and, for 2020, consisted of (1) the further development of the improvement potential of the MJR cinemas, (2) the optimisation of various management, analysis and reporting tools and the simplification of administrative processes, (3) the further implementation of the expansion strategy taking the Covid-19 impact into account, (4) the further development of the CSR strategy and (5) the adaptation of the Company to the consequences of the Covid-19 crisis.

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

REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration for the year 2020 was established on the basis of the above-mentioned principles.

In light of the Covid-19 crisis and the financial efforts made by the persons employed by the Group in this regard, all directors have however decided to reduce their remuneration for the year 2020 by 20% as shown in the table on the next page, and moreover the Chairman has decided to postpone the payment of part of his remuneration.

All members of the Board of Directors, as well as the directors of the subsidiaries of the Company, are insured via a 'civil liability of directors' policy', for which the total premium amounts to € 63 000, excluding taxes, and which is paid by the Company.

With the exception of the right to attend film screenings in the Kinopolis cinemas, the non-executive directors received no other remuneration, benefits, share-based or other incentive bonuses from the Company in the past period.

Remuneration of the Board of Directors

NAME	TITLE	2019 REMUNERATION (IN €) ⁽¹⁾	2020 REMUNERATION (IN €) ⁽¹⁾
Mr. Joost Bert, permanent representative of Pentascoop NV	Chairman	568 164	454 531 ⁽²⁾
Mr. Philip Ghekiere	Vice-Chairman	100 000	80 000
Mr. Eddy Duquenne	Managing Director	30 000	24 000
Ms. Sonja Rottiers, permanent representative of SDL Advice BV	Independent director	53 500	40 400
Ms. Marleen Vaesen, permanent representative of Mavac BV	Independent director	44 500	35 600
Mr. Ignace Van Doorselaere, permanent representative of 4F BV	Independent director	41 500	30 800
Ms. Marion Debruyne, permanent representative of Marion Debruyne BV	Independent director	32 500	26 000
Mr. Geert Vanderstappen, permanent representative of Pallanza Invest BV	Director	48 250	38 600
TOTAL		918 414⁽³⁾	729 931

(1) All amounts are gross amounts before tax.

(2) Of which, given the Covid-19 crisis, € 265 142 will not be paid until a later stage.

(3) 934 664 including the management remunerations paid to the board members whose mandate ended on 8 May 2019.

REMUNERATION OF THE CEO

The remuneration of the CEO was determined by the Board of Directors on the proposal of the Nomination and Remuneration Committee, taking into account the principles of the remuneration policy mentioned above.

Fixed remuneration

In view of the Covid-19 crisis and the financial and other efforts made by the persons employed by the Group in this regard, the CEO has decided to invoice only part of the fixed remuneration amounting to € 271 965 for the year 2020, and to postpone the payment of the remaining part amounting to € 453 277.

Variable remuneration

PERFORMANCE CRITERION	RELATIVE WEIGHTING	MEASURED PERFORMANCE
Quantitative objectives (development of Adjusted Ebitda)	70%	Above target
Qualitative objectives	30%	On target

In 2020, the Board of Directors, assisted by the Nomination and Remuneration Committee, evaluated the objectives to be achieved in the 2019 period and noted based on the consolidated results that, with respect to the quantitative objectives, the Adjusted EBITDA realised was well above the maximum targets set and also that the milestones set with respect to the qualitative objectives – which related to the further development of Landmark Cinemas Canada's improvement potential, the further expansion of the Group, the optimisation of the various management, analysis and reporting tools to support the further implementation of the business strategy and the programming and marketing strategy – had also been achieved, resulting in the allocation of a variable remuneration amounting to € 485 000 in 2019.

In view of the 'outperformance' regarding the quantitative objectives as well as the significant steps taken in the expansion strategy, it was also decided to grant an 'outperformance bonus' in the amount of € 48 500.

In light of the Covid-19 crisis, the CEO has postponed the payment of this variable remuneration related to the year 2019 to a later period.

Total remuneration

EDDY DUQUENNE BV	FIXED REMUNERATION		VARIABLE REMUNERATION IN THE SHORT TERM ⁽²⁾	EXCEPTIONAL ITEMS	PENSION COST	TOTAL REMUNERATION	RATIO OF FIXED AND VARIABLE REMUNERATION
	BASIS	ADDITIONAL BENEFITS ⁽¹⁾					
2020	725 242 ⁽³⁾	9 000	0	0	0	725 242	Fixed: 100% Variable: 0%

(1) Expense allowance.

(2) Concerns the variable remuneration as decided upon and paid out.

(3) Of which € 453 277 will be paid out later.

LONG-TERM INCENTIVES

On 11 May 2016, the General Meeting approved the 2016 Share Option Plan, under which 543 304 options (with a term up to 10 May 2024) on existing shares could be granted to the former Chairman of the Board of Directors, the Executive Management and eligible executives 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, thereby aligning their interests with the interests of the shareholders. By granting stock options, the Company aims to be able to attract, motivate and commit the best management talent to the Company in the long term.

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

The options are vested over a period of 5 years, and the vested options can be exercised at the earliest 4 years

after being granted, and at the latest on 10 May 2024.

A more detailed description of the features of these options can be found in Note 20 to the Consolidated Financial Statements and on <https://corporate.kinepolis.com/en/investor-relations/share-kinepolis/information-memorandum>.

No additional options were granted to the persons listed below in 2020, nor were any options exercised by them.

Long-term incentives

BENEFICIARY	NUMBER OF OPTIONS GRANTED	NUMBER OF OPTIONS VESTED ⁽¹⁾
Eddy Duquenne	90 000	74 970
Joost Bert	45 000	37 485
Philip Ghekiere	45 000	37 485

(1) On the date of the Financial report.

Evolution of the remuneration and performance of the Company

	2016	2017	2018	2019	2020
Remuneration of directors	+5.59%	+6.53%	+89.73% ⁽¹⁾	+19.52%	-21.90%
Remuneration CEO Eddy Duquenne ⁽²⁾	+18.19%	-11.66%	+19.74%	+1.08%	-36.74% ⁽³⁾
Remuneration CEO Joost Bert ⁽²⁾	-2.55%	-6.46%	-34.98% ⁽⁴⁾	-100% ⁽⁴⁾	/
Net profit	+47.72%	+2.98%	-3.38%	+14.69%	-227.11%
Adjusted EBITDA	+3.98%	+10.28%	+14.10%	+46.34%	-89.96%
Average remuneration of employees ⁽⁵⁾	+19.2%	+12%	+5%	-14%	-29%

1) The increase is explained by the fact that a new Chairman was appointed as from 11 May 2018.

2) In this evolution we have considered the total remuneration where, as for the variable part, we have taken into account the amount which has been awarded and paid out for services provided in the prior year; the evolution does not include the remuneration as director.

3) This percentage takes into account that the variable remuneration awarded in 2020 for services provided in 2019, will only be paid out in 2021.

4) Mr. Bert has been CEO until 10 May 2018.

5) The evolution is based on the cost of labor of Kinepolis Group NV of all employees and of all natural and legal persons linked to the Company by a management agreement or similar agreement, and takes into account the fixed and variable remuneration, vacation pay, end-of-year pay, all extra-legal payments and employer contributions.

SEVERANCE PAYMENTS

No severance payments were made in 2020.

CLAW-BACK RIGHTS

There were no claw-back rights applied for any variable remuneration in 2020.

RATIO BETWEEN HIGHEST AND LOWEST REMUNERATION

The ratio between the highest and lowest remuneration within Kinopolis Group NV is factor 17. This includes all components of the remuneration and more exactly for the lowest remuneration the fixed remuneration, variable remuneration, vacation pay, end-of-year pay, all extra-legal payments and employer contributions.

SHAREHOLDER'S VOTE

In accordance with section 7:149, paragraph 3 of the BCAC, the Company has reflected on the votes cast by shareholders when determining the remuneration for the 2020 period, but considers the remuneration policy as applied in 2020 to be a balanced policy aimed at sustainable value creation for all stakeholders, and has therefore adopted the remuneration policy on the same lines for the following years.

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

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

Kinopolis Group uses this framework to implement a system of Risk Management 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 deals with the various components as prescribed by the reference model, as well as the various roles and responsibilities with regard to internal controls and risk control.

ROLES AND RESPONSIBILITIES

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

The responsibilities regarding the risk management of the Board of Directors (and its various committees) and the Executive Management are established and described in detail in legal stipulations, the Belgian Corporate Governance Code 2009 and 2020 and the Kinopolis Corporate Governance Charter. In brief, it can be stated that the Executive Management bears final responsibility for the appropriate implementation and management of the risk-management system, while the Board of Directors has a supervisory role in this matter.

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

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

APPLICATION OF THE VARIOUS COMPONENTS

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

INTERNAL CONTROL ENVIRONMENT

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

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

In addition, correct employee training and guidance is essential for 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. New managers also undergo introductory risk-management training on an annual basis.

SETTING OF OBJECTIVES

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

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

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

INTERNAL CONTROL

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

As stated above, it is first and foremost the duty of every manager to properly set up and implement the various internal risk-management activities (including monitoring) within the scope of his/her job. In other words, each line manager is responsible for the appropriate and timely identification and evaluation of business risks and the ensuing control measures to be taken and managed.

Although the individual line manager has some latitude when applying these rules, Kinopolis aims to standardise the process as much as possible. This is achieved by organising e-learning ERM training courses, implementing the structured policy guidelines and procedures, and using standard lists for the internal controls to be carried out.

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

INFORMATION AND COMMUNICATION

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

MONITORING

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

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

DESCRIPTION OF THE MAIN BUSINESS RISKS

In order to gain insight into the main business risks, the Board of Directors and the Management of the Company will conduct a risk assessment on an annual basis, and this assessment will be subsequently analysed and validated by the Board of Directors. As in previous years, this took place again in 2020 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 in the definition of risk, provides no guarantee whatsoever of the actual occurrence of risk events. The following list (in random order) therefore contains only some of the risks to which Kinopolis is exposed.

AVAILABILITY AND QUALITY OF SUPPLIED CONTENT

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

SEASONAL EFFECTS

The operating revenue 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

The position of Kinopolis Group as a cinema operator is subject to competition, just like every other product or service for which substitutes exist. This competition not only results from the presence of cinemas run by other operators in the markets in which the Group is active, and from the possible opening of new cinema complexes in those markets, but also from the increasing availability and sometimes even simultaneous or exclusive availability of films and series via online content media, such as Netflix, Apple and Disney+. This development, which accelerated in 2020, may be further influenced by the continuous technical improvement of the quality of these alternative ways of viewing a film. 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 a possible increase in the illegal sharing of material online. Finally, the position of Kinopolis Group is impacted by increasing competition from other forms of leisure activities, such as concerts, sporting events, gaming, etc., that can have an influence on the behaviour of Kinopolis customers.

Kinopolis Group 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, content and film experience.

ECONOMIC SITUATION

Changes to the general, global or regional economic situations, or the economic situations 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 Kinopolis Group. Kinopolis endeavours to arm itself against this threat by implementing decisive efficiency measures and by closely monitoring and controlling costs and margins. Changing economic conditions can also increase competitive risks.

RISKS ASSOCIATED WITH GROWTH OPPORTUNITIES

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

POLITICAL, REGULATORY AND COMPETITIVE RISKS

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

TECHNOLOGICAL RISKS

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

PERSONNEL RISKS

As a service company, Kinepolis Group largely depends on its employees to provide a high-quality service. Hiring and retaining the right managers and employees with the requisite knowledge and experience in all parts of the Company is therefore a constant challenge, which is magnified even more in the covid period. Kinepolis accepts this challenge by offering attractive terms of employment, good knowledge management and a pleasant working atmosphere. Kinepolis measures employee satisfaction on the basis of employee surveys and adapting its policies where necessary. Furthermore, Kinepolis also attaches great importance to the health of its employees, and endeavours to create a work environment that is as free of risks as possible. To this end, and in addition to compliance with the legal obligations with regard to safety and prevention, it has taken a number of further measures, such as the organisation of preventive examinations by the Company doctor, the organisation of evacuation exercises, prevention training, etc. In the context of the Covid-19 pandemic, Kinepolis also drew up the necessary protocols in which, in order to protect the health of the employees, working from home was the



guiding principle for the office employees, strict guidelines were issued for the employees active in the cinemas, and the necessary protective material was made available to every employee.

CUSTOMER RISKS

Customer experience is key at Kinepolis Group, which is why Kinepolis 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 Kinepolis 'customer journey'. In the first place, Kinepolis is concerned with the physical integrity of its customers, and therefore ensures that the health and safety risks for its customers are reduced to a minimum when they are in the complexes. This includes numerous aspects, ranging from user-friendly buildings and installations to user-friendly products (e.g. compliance with HCCP standards, noise levels in the theatres) and the prevention of feelings of insecurity through an adapted surveillance policy. In the context of the Covid-19 pandemic, extensive safety protocols were developed and implemented in consultation with the competent local authorities and sector federations, with the main pillars being:

- Managing the flow of visitors to, from and in the cinema.
- Maintaining appropriate social distancing throughout the entire cinema visit.
- Strict safety and hygiene measures in all areas and in all interactions with staff.
- Providing maximum information to customers about all necessary and useful safety measures.

Measures were also taken to adjust the ventilation systems to ensure a maximum supply of outside air in all the rooms.



In addition, in line with its best marketer strategy, Kinopolis also respects the privacy and data integrity of its customers. To this end, it has appointed a 'data protection officer' (DPO) and implemented a number of legal and security measures to protect customer data, and has organised GDPR training for staff, while the DPO carries out the necessary audits to ensure that the Company's privacy policy remains up-to-date at all times, and the status of the Company's GDPR maturity is discussed in internal committees as well as in the Audit Committee.

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

RISKS RELATED TO EXCEPTIONAL EVENTS

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

ENVIRONMENTAL LIABILITY AND PROPERTY RISKS

Given the fact that Kinopolis Group owns and leases real estate, the latter is subject to regulations with regard to environmental liability and potential property risks. In addition to the above-mentioned measures to manage political and regulatory risks, Kinopolis will take appropriate measures to prevent environmental damage and limit property risks.

OTHER RISKS

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

FINANCIAL RISKS AND 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 for speculative purposes.

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 2020, net financial debt of the Group was € 513.3 million, excluding lease liabilities. In order to hedge the interest risk on a fixed-term loan of € 11.8 million, Interest Rate Swaps were entered into for the same amount.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The company complies with the principles of the 2020 Code.

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

- **Provision 4.6. of the Code:** the professional qualifications and duties of the directors to be re-appointed were not stipulated in the convening notices to the General Shareholders' Meeting of 13 May 2020, given that these qualifications were already published in several press releases and annual reports.
- **Provision 7.6. of the Code:** the non-executive directors will not be partly remunerated in shares, as the Company considers that sustainable value creation is an essential pillar of the Kinopolis strategy that is subscribed to by all directors, whether they are shareholders or not.
- **Provision 7.9. of the Code:** no minimum threshold has been set for shares to be held by the Executive Management, as the remuneration package for the Executive Management is already sufficiently geared towards sustainable value creation.

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. In this regard, Kinopolis strives to constantly adapt the experience it provides to the changing demographic trends, and to be innovative with regard to picture, sound and other factors in order to improve the customer experience and protect the profitability of the Group.

Kinopolis continued to invest in the innovation of its food, online and product concepts in 2020.

POLICY WITH REGARD TO CONFLICTS OF INTERESTS

On 24 March 2020, the following decisions were taken by the Board of Directors, pursuant to Article 7:96 of the BCAC:

- the evaluation of the CEO's 2019 management objectives;

- the award to the CEO of the resulting variable remuneration and outperformance bonus, in the total amount of € 533 500;
- the establishment of the management objectives for the 2020 period.

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

PROFIT APPROPRIATION AND DIVIDEND PAYMENT

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

In view of the impact of the Covid-19 pandemic on business operations and the impact on the financial results, the Board of Directors proposes to the General Meeting not to distribute a dividend.



Innovative experiences



Statement with regard to the information incorporated in the annual report

The undersigned certifies that, to his knowledge:

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

24 March 2021

Eddy Duquenne
CEO Kinopolis Group





MX4D, Kinepolis Utrecht (NL)



Financial Report

Consolidated income statement

at 31 December

IN '000 €	NOTE	2019	2020
Revenue	3	551 482	176 282
Cost of sales	6	-393 886	-219 639
Gross result		157 596	-43 357
Marketing and selling expenses	6	-27 886	-17 314
Administrative expenses	6	-30 306	-20 234
Other operating income	4	2 441	15 536
Other operating expenses	4	-808	-294
Operating result		101 037	-65 663
Financial income	7	941	1 552
Financial expenses	7	-24 667	-27 604
Result before tax		77 311	-91 715
Income tax expenses	8	-22 939	22 604
RESULT FOR THE PERIOD		54 372	-69 111
Attributable to:			
Owners of the Company		54 352	-68 879
Non-controlling interests		20	-232
RESULT FOR THE PERIOD		54 372	-69 111
Basic result per share (€)	19	2.02	-2.56
Diluted result per share (€)	19	2.01	-2.54

Consolidated statement of profit or loss and other comprehensive income

at 31 December

IN '000 €	NOTE	2019	2020
Result for the period		54 372	-69 111
Realised results		54 372	-69 111
Items to be reclassified to profit or loss if specific conditions are met in the future:			
Translation differences on intra-group non-current borrowings in foreign currencies	18	1 380	-10 890
Translation differences of annual accounts in foreign currencies	18	2 249	-8 250
Cash flow hedges – effective portion of changes in fair value	25	42	82
Income taxes relating to the components of other comprehensive income to be reclassified to profit or loss in subsequent periods	13	110	2 395
		3 781	-16 664
Items that will not be reclassified to profit or loss:			
Changes to estimates of defined benefit plans	5	-516	96
Income taxes relating to the components of other comprehensive income not to be reclassified to profit or loss in subsequent periods	13		-24
		-516	72
Other comprehensive income for the period, net of income taxes		3 265	-16 592
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		57 637	-85 703
Attributable to:			
Owners of the Company		57 570	-85 426
Non-controlling interests		67	-277
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		57 637	-85 703

THE NOTES ON P. 44-115 ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

Consolidated statement of financial position

at 31 December

ASSETS

IN '000 €	NOTE	2019	2020
Intangible assets	9	12 987	11 673
Goodwill	10	169 374	163 148
Property, plant and equipment	11	542 324	521 136
Right-of-use assets	26	397 212	362 481
Investment property	12	16 881	17 557
Deferred tax assets	13	1 227	14 778
Other receivables	15	9 011	6 321
Other financial assets		27	27
Non-current assets		1 149 043	1 097 121
Inventories	14	5 851	3 865
Trade and other receivables	15	53 385	26 756
Current tax assets	24	1 303	7 431
Cash and cash equivalents	16	72 473	33 007
Assets classified as held for sale	17	1 767	
Current assets		134 779	71 059
TOTAL ASSETS		1 283 822	1 168 180

EQUITY AND LIABILITIES

IN '000 €	NOTE	2019	2020
Share capital	18	18 952	18 952
Share premium	18	1 154	1 154
Consolidated reserves		191 448	123 640
Translation reserve	18	-582	-17 254
Total equity attributable to the owners of the Company		210 972	126 492
Non-controlling interests	18	281	4
Total equity		211 253	126 496
Loans and borrowings	21	479 513	469 882
Lease liabilities	26	383 052	358 317
Provisions for employee benefits	5	1 036	998
Provisions	22	2 284	2 021
Deferred tax liabilities	13	20 408	13 107
Derivative financial instruments	25	169	87
Other payables	23	6 939	6 356
Non-current liabilities		893 401	850 768
Bank overdrafts	16	115	112
Loans and borrowings	21	10 099	76 599
Lease liabilities	26	33 091	35 295
Trade and other payables	23	132 740	78 335
Provisions	22	549	269
Current tax liabilities	24	2 574	306
Current liabilities		179 168	190 916
TOTAL EQUITY AND LIABILITIES		1 283 822	1 168 180

Consolidated statement of cash flow

at 31 December

IN '000 €	NOTE	2019	2020
Result before tax		77 311	-91 715
Adjustment for:			
Depreciations and amortisations	6	70 734	80 442
Provisions and impairments	15, 22	568	2 282
Government grants	4	-750	-950
(Gains) Losses on sale of property, plant and equipment	4	-1 169	-25
Change in fair value of derivative financial instruments and unrealised foreign exchange results	25	46	48
Unwinding of non-current receivables and provisions	7, 22	-335	-259
Share-based payments	5	723	469
Amortisation of refinancing transaction costs	7	418	513
Interest expenses and income	7	20 321	24 917
Forgiveness of lessee's lease payments	4, 26		-7 540
Change in inventories		-227	2 148
Change in trade and other receivables		-9 999	25 868
Change in trade and other payables		19 002	-52 364
Cash flow from operating activities		176 642	-16 166
Income taxes paid		-25 718	-4 074
Net cash flow - used in / + from operating activities		150 924	-20 240
Acquisition of intangible assets	9	-2 637	-1 848
Acquisition of property, plant and equipment and investment property	11, 12	-60 067	-43 372
Advance lease payments	26	-3 519	-40
Acquisition of subsidiaries, net of acquired cash	10	-173 930	-87
Proceeds from sales of investment property, intangible assets and property, plant and equipment	9, 11	5 942	995
Net cash flow used in investing activities		-234 211	-44 352
Investment contributions	21, 26	3 388	3 340
Payment of lease liabilities incl. forgiveness of lessee's lease payments	21, 26	-20 918	-9 244
Proceeds from loans and borrowings	21, 25	225 000	66 500
Repayment of loans and borrowings	21, 25	-69 221	-10 099
Payment of transaction costs with regard to refinancing obligations	21, 25	-1 663	-45
Interest paid	7, 21	-12 941	-14 501
Interest received	7, 21	59	5
Paid interest related to lease liabilities	21, 26	-9 387	-10 248
Sale of treasury shares	18, 21, 25		478
Dividends paid	18	-24 723	
Net cash flow - used in / + from financing activities		89 594	26 186
+ INCREASE / - DECREASE IN CASH AND CASH EQUIVALENTS		6 307	-38 406
Cash and cash equivalents at beginning of the period	16	65 345	72 358
Cash and cash equivalents at end of the period	16	72 358	32 895
Effect of exchange rate fluctuations on cash and cash equivalents		706	-1 057
+ INCREASE / - DECREASE IN CASH AND CASH EQUIVALENTS		6 307	-38 406

THE NOTES ON P. 44-115 ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

Consolidated statement of changes in equity

at 31 December

IN '000 €	2020							
	ATTRIBUTABLE TO OWNERS OF THE COMPANY						NON-CONTROLLING INTERESTS	TOTAL EQUITY
	SHARE CAPITAL AND SHARE PREMIUM	TRANSLATION RESERVE	HEDGING RESERVE	TREASURY SHARES RESERVE	SHARE-BASED PAYMENTS RESERVE	RETAINED EARNINGS		
AT 31 DECEMBER 2019	20 106	-582	206	-22 830	3 088	210 985	281	211 253
Result for the period						-68 879	-232	-69 111
Realised results						-68 879	-232	-69 111
Items to be reclassified to profit or loss if specific conditions are met in the future:								
Translation differences ⁽¹⁾		-19 095					-45	-19 140
Cash flow hedges – effective portion of changes in fair value			82					82
Income taxes relating to the components of other comprehensive income to be reclassified to profit or loss in subsequent periods ⁽²⁾		2 423	-28					2 395
		-16 672	54				-45	-16 664
Items that will not be reclassified to profit or loss:								
Changes to estimates of defined benefit plans ⁽³⁾						96		96
Income taxes relating to the components of other comprehensive income not to be reclassified to profit or loss in subsequent periods ⁽²⁾						-24		-24
						72		72
Other comprehensive income for the period, net of income taxes		-16 672	54			72	-45	-16 592
Total comprehensive income for the period		-16 672	54			-68 807	-277	-85 703
Sale of treasury shares ⁽⁴⁾				220		258		478
Share-based payments ⁽⁴⁾					357	112		469
Total transactions with owners, recorded directly in equity				220	357	370		947
AT 31 DECEMBER 2020	20 106	-17 254	260	-22 610	3 445	142 548	4	126 496

⁽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 €	2019							
	ATTRIBUTABLE TO OWNERS OF THE COMPANY						NON- CONTROLLING INTERESTS	TOTAL EQUITY
	SHARE CAPITAL AND SHARE PREMIUM	TRANSLATION RESERVE	HEDGING RESERVE	TREASURY SHARES RESERVE	SHARE-BASED PAYMENTS RESERVE	RETAINED EARNINGS		
AT 31 DECEMBER 2018	20 106	-4 164	54	-22 830	2 365	181 872	214	177 617
Result for the period						54 352	20	54 372
Realised results						54 352	20	54 372
Items to be reclassified to profit or loss if specific conditions are met in the future:								
Translation differences		3 582					47	3 629
Cash flow hedges – effective portion of changes in fair value			42					42
Income taxes relating to the compo- nents of other comprehensive income to be reclassified to profit or loss in subsequent periods			110					110
		3 582	152				47	3 781
Items that will not be reclassified to profit or loss:								
Changes to estimates of defined benefit plans ⁽¹⁾						-516		-516
						-516		-516
Other comprehensive income for the period, net of income taxes		3 582	152			-516	47	3 265
Total comprehensive income for the period		3 582	152			53 836	67	57 637
Dividends to the shareholders						-24 723		-24 723
Share-based payments ⁽²⁾					723			723
Total transactions with owners, recorded directly in equity					723	-24 723		-24 000
AT 31 DECEMBER 2019	20 106	-582	206	-22 830	3 088	210 985	281	211 253

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

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

THE NOTES ON P. 44-115 ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

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1. Significant accounting policies

Kinepolis Group NV (the 'Company') is a company established in Belgium. The consolidated financial statements of the Company for the year ending 31 December 2020 include the Company and its subsidiaries (together referred to as the 'Group'). These consolidated financial statements were approved for publication by the Board of Directors on 24 March 2021.

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 2020.

GOING CONCERN PRINCIPLE

As described in the Corporate Governance chapter, the business risks associated with the activities of Kinepolis include the availability and quality of the content supplied, seasonal effects, competition and risks associated with exceptional circumstances.

As a result of the worldwide outbreak of the Corona virus, Kinepolis was forced to close all of its cinemas as of mid-March 2020. There have been alternate periods of closing and opening of the cinemas during the year, often with restrictions, with these varying from country to country. Due to the closure of almost all locations, a large part of the revenue was lost for a period of several months. This has a serious impact on the Group's financial results in 2020.

In order to limit the consequences of the Covid-19 pandemic, the Group has taken the necessary measures to manage the health and safety risks of its customers and employees, to limit the negative financial impact of the business closures, and to safeguard its liquidity. The strategy and nature of the Company, characterised by a maximum variability of costs, a solid real estate position, with a large proportion of cinema real estate being owned, a decentralised organisation and a 'facts-and-figures' driven corporate culture help Kinepolis Group to manage this crisis optimally.

In the short term, Kinepolis is dependent on the availability and timing of content. Most of the blockbusters, with which the Group achieves 80% of its visitors in 'normal' circumstances, were delayed by the Hollywood film studios, given the importance of the cinemas in the overall profitability of a film.

The willingness of customers to go to the cinema remains high. In periods of reopening, or in countries that are already further advanced in their vaccinations and/or reopening of the cinemas, we clearly see a strong revival in customer demand. With customer satisfaction during the reopening period above 85%, the 'Net Promotor Score' for Kinepolis as a 'brand' is clearly higher than before the crisis.

Customer research in various countries shows that consumer demand remains intact, and that the intention to visit the cinema definitely is there and will remain. For more detailed information in this regard we refer to note 10.

At the start of the crisis, Kinepolis had a strong balance sheet, sufficient financial reserves and credit lines, which allowed the Company to close for more than a year. The free cash flow, excluding working capital impact, was limited to € -32.1 million in 2020. In order to be prepared for possible longer delays before the full resumption of its activities, Kinepolis has taken out an additional loan of € 80.0 million with its main bankers for a period of 3 years. In this context, the banks also extended the suspension of the credit covenants ('covenant holiday') until 30 June 2022. A suspension until 30 June 2021 had already been obtained in 2020.

Kinepolis Group had € 171.0 million in liquidity at the start of 2021, consisting of cash and cash equivalents and available credit lines, including the new € 80.0 million credit concluded at the beginning of January 2021. Strong cost management, supported by the Group's significant real estate position, meant that Kinepolis succeeded in limiting the free cash flow, excluding the working capital effect, to an average of € -3.6 million per month in the second half of the year.

Thanks to the measures taken, Kinepolis therefore has sufficient liquidity to deal with this crisis. Kinepolis has pursued a prudent financial policy in recent years. This has resulted in an average term of more than 4,5 years for the outstanding financial liabilities. The first major repayment of its bonds will not take place until the end of January 2022 (€ 61.4 million). For more information we refer to notes 21, 25 and 31.

Based on the availability of content in the coming years, customer demand, financial reserves, the limited negative cash flow in closed conditions and the availability of various vaccines and vaccination strategies in the various countries, Kinepolis currently sees no reason to expect that the business model will be affected over the longer term. The Group currently considers the impact of the Covid-19 pandemic to be a short-term impact that does not change the underlying parameters of its business model, which is why the Company adopted a going-concern principle in preparing this annual report.

BASIS OF PREPARATION

The consolidated financial statements are presented in Euro, rounded to the nearest thousand. In certain cases, rounding up or down can lead to a non-material deviation of the total amount.

The consolidated financial statements were drawn up on a historical cost basis, with the exception of the following assets and liabilities, which are recorded at fair value:

derivative financial instruments, contingent considerations and financial assets measured at fair value through other comprehensive income. In accordance with IFRS 5, assets classified as held for sale are measured at the lower of their carrying amount and fair value, less costs to sell.

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

A number of new standards, which were applied as of 1 January 2020 became applicable to the consolidated financial statements. These have given rise to limited changes in the accounting policies of the Group, but have no material impact on the consolidated financial statements, except for the impact of the amendment to IFRS 16 (Covid-19 Related Rent Concessions).

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

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

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

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

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

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

IMPAIRMENT TESTS FOR INTANGIBLE ASSETS, GOODWILL, PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTY

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

PROVISIONS

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

RECOVERABILITY OF DEFERRED TAX ASSETS

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

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

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

A contract is classified as a lease if it includes the right to control the use of an identified asset for a specified period of time in exchange for a consideration. When determining the term of a lease, the Group took into account any possible extension options and whether or not to exercise an early termination option. This is assessed for each contract separately. As a general principle in making this assessment for the key lease assets, lease agreements for land and buildings (cinema complexes), Kinopolis Group has considered that a term between 15 and 20 years reflects the entity's reasonable expectation of the period during which the underlying asset will be used. The same term is also used in our valuation and impairment models to determine future cash flows. Moreover, the lease term is considered reasonably certain in view of the useful life of the leasehold improvements and the investments made. For more information we refer to note 26.

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

BASIS OF CONSOLIDATION

BUSINESS COMBINATIONS

A business combination is defined as a transaction or other event in which the Group obtains control of one or more businesses. The Group shall determine whether a transaction or other event is a business combination by applying the definition, which requires that the assets acquired and liabilities assumed constitute a business. If the assets acquired are not a business, the reporting entity shall account for the transaction or other event as an asset acquisition.

A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. A business generally consists of inputs, processes applied to those inputs and the ability to contribute to the creation of outputs. To determine whether an acquired set of activities and assets is a business or not, the Group may use a concentration test. This is a simplified assessment that will result in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If the Group does not apply the concentration test, or the test is failed, then the assessment focuses on the existence of substantive processes.

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

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

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

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), and if they relate to services provided in the past, then all or a

portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. The determination is based on the market value of the replacement awards compared with the market value of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

SUBSIDIARIES

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

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

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

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

EQUITY ACCOUNTED INVESTEEES

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

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

ACQUISITION OF NON-CONTROLLING INTERESTS

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

TRANSACTIONS ELIMINATED ON CONSOLIDATION

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

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

FOREIGN CURRENCY

TRANSACTIONS IN FOREIGN CURRENCIES

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

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

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

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

FINANCIAL STATEMENTS IN FOREIGN CURRENCIES

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

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

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

FINANCIAL INSTRUMENTS

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

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

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

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

NON-DERIVATIVE FINANCIAL INSTRUMENTS

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

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

Financial assets measured at amortised cost

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

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

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

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

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

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

Financial assets measured at fair value through other comprehensive income

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

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

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

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

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

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

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

Financial assets measured at fair value through profit or loss

Financial assets are measured at fair value through profit or loss if the conditions of the above categories are not met, or if the Group irrevocably chooses debt instruments that are measured at fair value through other comprehensive income to be measured at fair value through profit or loss account. This choice is irrevocable, and is only allowed in order to eliminate or limit an inconsistency in the valuation on initial recognition.

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

Financial liabilities

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

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

Expected credit losses

Impairment losses on financial assets are determined as follows:

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

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

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets

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

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

Financial liabilities

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

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

OFFSETTING

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

SHARE CAPITAL

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

HEDGING

Cash flow hedges

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

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

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

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

Fair value hedges

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

PROPERTY, PLANT AND EQUIPMENT

OWNED ASSETS

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

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

SUBSEQUENT EXPENDITURE

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

DEPRECIATIONS

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

The estimated useful lives are as follows:

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

LEASES

The Group leases several sites, buildings, cars, equipment for in-theatre sales and projection equipment.

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

The lease term considered in the calculation of the lease liabilities is determined on the basis of the underlying lease contracts, taking into account any extensions that can be estimated with reasonable certainty and whether or not to exercise an early termination option. As a general principle in making this assessment for the key lease assets, lease agreements for land and buildings (cinema complexes), Kinopolis Group has considered that a term between 15 and 20 years reflects the entity's reasonable expectation of the period during which the underlying asset will be used. The same term is also used in our valuation and impairment models to determine future cash flows. Moreover, the lease term is considered reasonably certain in view of the useful life of the leasehold improvements and the investments made.

The Group will only reassess the term of a lease when there has been a significant event or a significant change in circumstances, within the control of the Group. Significant events or changes in circumstances within the control of the Group include but are not limited to significant changes to the contract terms, exercise a renewal option or termination option and significant leasehold improvements.

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

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

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

RIGHT-OF-USE ASSETS

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

- initial recognition of the lease liabilities;
- advance lease payments;
- initial direct costs;
- estimated costs for dismantling and repairs;
- deferred investment contributions.

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

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

LEASE LIABILITIES

Lease liabilities are initially measured at the present value of future lease payments. Only the lease component of the payment is recognised. The lease payments are discounted at the rate implicit in the lease, or, if this is not available, at the average interest rate of the Group. As the Group makes use of a general financing policy, this is the average interest rate of the Group for external financing taking into account the credit standing of the Group, the parent company, rather than each individual subsidiary. Kinopolis Financial Services acts as an in-house bank for the entire Group. As a result, the interest rate is the interest rate that the Group would have to pay to obtain an asset with similar value to the right-of-use asset, taken into account in a similar environment, term and security. The discount rate is updated on a yearly basis and will be applied to new leases or for changes to lease agreements which are to be measured at a revised discount rate.

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

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

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

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

Lease payments are split into the repayment of the lease liability and the financial interest cost. In the consolidated statement of cash flow, both can be found under 'Cash flow from financing activities'. Interests are recognised as an expense in the income statement.

LEASES AS LESSOR

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

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

The Group also leases out parts of leased buildings, which, under the application of IFRS 16, are recognised under Right-of-use assets (the so-called subleases). When the right-of-use of these assets is not fully transferred to the sublessee (which is the case, amongst others, when the rental period of the sublease is significantly shorter than the one of the head lease), these subleases are classified as operating sublease agreements and the rental income is recognised in the income statement on a straight-line basis over the lease term. The Group assessed the classification of the subleases with reference to the right-of-use assets rather than the underlying assets, and concluded that all subleases are classified as operating leases.

Income from leases, both fixed and variable, is recognised as lease income. The variable rent is recognised when it is highly probable that the lease income will be received. If an agreement contains both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract. We refer to the related accounting policies.

INVESTMENT PROPERTY

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

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

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

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

INTANGIBLE ASSETS AND GOODWILL

GOODWILL

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

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

INTANGIBLE ASSETS

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

INTERNALLY GENERATED INTANGIBLE ASSETS

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

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

SUBSEQUENT EXPENDITURE

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

AMORTISATIONS

Amortisations are charged to the income statement by the straight-line method over the expected useful life of the intangible assets. Intangible assets are amortised from the date on which they are ready for their intended use. Their estimated useful life is 3 to 15 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 sales price less the estimated costs of completion and selling expenses.

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

IMPAIRMENT LOSSES

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

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

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

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

ASSETS CLASSIFIED AS HELD FOR SALE

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

EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

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

POST EMPLOYMENT BENEFITS

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

DEFINED CONTRIBUTION PLANS

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

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

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

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

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

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

SHARE-BASED PAYMENTS AND RELATED BENEFITS

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

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

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

TERMINATION BENEFITS

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

PROVISIONS

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

RESTRUCTURING

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

SITE RESTORATION

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

ONEROUS CONTRACTS

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

REVENUE

SALES OF GOODS AND SERVICES

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

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

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

- Box Office is the result of the sale of cinema tickets (and 3D glasses). Box office sales are recognised as revenue on the date of the showing of the film they relate to;
- In-theatre Sales (ITS) include all revenue from the sale of beverage, snacks and merchandising in the complexes. In-theatre sales are recognised as revenue at the checkout;
- Revenue from the advance sale of tickets or other prepaid gift vouchers are recognised in current liabilities, and are recognised as revenue when the ticket holder uses the ticket.
- Gift vouchers that have not been exercised ('breakage fees') are recognised as revenue, taking into account the expected non-redemption, and no later than the expiry date of the gift vouchers;
- Revenue from exchange deals is recognised as revenue at the moment the service has been delivered;
- Events (business-to-business) are recognised as revenue when the event takes place. If the event takes place over a longer period of time, the revenue is recognised in the income statement on a straight-line basis over the duration of the event;
- Turnover resulting from screen advertising is recognised as revenue spread over the period (number of film days per month) in which the advertisement is shown;

- Turnover from promotions (business-to-customer) is recognised as revenue when the promotion takes place;
- The theatrical revenue from film distribution is recognised over the term of the film based on the number of visitors. The revenue from after theatrical rights are recognised in the first period on the basis of usage, and in the following period on the basis of a fixed price that is recognised as one-off revenue when the rights are transferred. Whereas the Group does not act as an agent for revenue from theatrical and after theatrical rights, this revenue is not offset by the related costs.

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

LEASE INCOME

Lease income, both fixed and variable lease income, is recognised in the income statement on a straight-line basis over the lease period. This with the exception of Covid-19 related rent concessions, on amounts already invoiced in the past, which are recognised directly in the income statement. Lease incentives granted are regarded as an integral part of lease income.

GOVERNMENT GRANTS

Government grants are initially recognised at fair value whenever a reasonable certainty exists that they will be received and that the Group will comply with the conditions associated with them. The Group makes a distinction between grants received from the Centre National du Cinéma et de l'Image Animée (CNC) and other grants.

Grants received from the Centre National du Cinéma et de l'Image Animée

The Group receives grants in France from the 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 as deferred revenue, and are taken into the income statement, within 'Other operating income', over the useful life of the related assets. The unwinding of receivables related to government grants is included under financial income.

Other grants

Other grants relate on the one hand to grants obtained as compensation for specific costs incurred and on the other hand to general government support measures. Grants obtained as compensation for directly attributable costs are taken directly to the income statement, deducted from the related costs. General support measures received from the government are also included in the income statement, within 'Other operating income'.

FINANCIAL INCOME

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

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

Foreign exchange gains and losses are offset per currency.

EXPENSES

EXPENSES RELATED TO LEASES

For leases that meet the requirements of IFRS 16, a depreciation expense linked to the right-of-use asset and an interest expense linked to the lease liability are recognised. These are recognised in the income statement.

Leases that are exempted under IFRS 16 are recognised in the income statement using a straight-line method.

FINANCIAL EXPENSES

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

Interest charges are recognised based on the effective interest method.

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

Foreign exchange gains and losses are compensated per currency.

INCOME TAX EXPENSES

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

Current taxes consist of the expected tax payable on the taxable profit of the year, calculated using tax rates enacted or substantively enacted at the balance sheet date, as well as tax adjustments in respect of prior years. The amount of current income taxes 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.

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

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

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

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

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

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

SEGMENT REPORTING

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

DISCONTINUED OPERATIONS

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

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

NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended per 31 December 2020, and have not been applied in preparing these consolidated financial statements:

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

Amendments to IAS 1 Presentation of Financial statements: Classification of Liabilities as Current or Non-current, issued on 23 January 2020, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments:

- specify that an entity's right to defer settlement must exist at the end of the reporting period;
- clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
- clarify how lending conditions affect classification; and
- clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

On 15 July 2020, the IASB issued **Classification of Liabilities as Current or Non-current – Deferral of Effective Date** (Amendment to IAS 1) deferring the effective date of the January 2020 amendments to IAS 1 by one year to annual reporting periods beginning on or after 1 January 2023. The amendments have not yet been endorsed by the EU.

Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual improvements, issued on 14 May 2020, include several narrow-scope amendments which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards:

- **Amendments to IFRS 3 Business Combinations** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **Amendments to IAS 16 Property, Plant and Equipment** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets** specify which costs a company includes when assessing whether a contract will be loss-making. The amendments clarify that the 'costs of fulfilling a contract' comprise both: the incremental costs; and an allocation of other direct costs.
- **Annual Improvements to IFRS Standards 2018–2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

The amendments are effective for annual periods beginning on or after 1 January 2022. These amendments have not yet been endorsed by the EU.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020) address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate.

In Phase 2 of the Interest Rate Benchmark Reform, the IASB changes the above standards with regard to:

- changes in financial assets and financial liabilities (including lease liabilities) referring to a benchmark rate to be replaced by an alternative benchmark rate as a result of the benchmark rate reform;
- hedge accounting; and
- disclosures.

The Phase 2 amendments apply only to changes required by the interest rate benchmark reform to financial instruments and hedging relationships. The amendments apply retrospectively from 1 January 2021 with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met. These amendments have been endorsed by the EU.

IMPACT OF NEW STANDARDS

The IASB issued **Covid-19-Related Rent Concessions (Amendment to IFRS 16)** on 28 May 2020. The amendment provides an optional practical expedient that permits lessees not to assess whether rent concessions that occur as a direct consequence of the Covid-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications. The amendment is effective for annual reporting periods beginning on or after 1 June 2020, with earlier application permitted. The amendment was approved by the EU.

The Group makes use of the optional practical expedient, and applies it retroactively to all rent concessions, that are a direct result of the Covid-19 pandemic, and meet the following conditions:

- the change in lease payments results in revised consideration for the lease, which is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- the reduction in lease payments relates to payments originally due on or before 30 June 2021;
- no substantive changes have been made to other terms of the lease.

If the rent concessions resulting directly from the Covid-19 pandemic meet the conditions, they are treated as if they were not lease modifications. The rent concessions are then processed in the same way as a negative variable lease payment, and are therefore included in the income statement within 'Other operating income', as part of Operating result. The rent concessions are recognised in the income statement in the period in which the event or condition, that causes the payment, occurs. For more information we refer to note 26.

In 2021, the date in the second condition, as mentioned above, will be adjusted to 30 June 2022.

2. Segment reporting

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

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

Financial income and expenses and income tax expenses and their related assets and liabilities (excluding lease liabilities) are not monitored by segment by the Group's 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, Canada, Spain, the Netherlands, the United States and Luxembourg. The Polish and Swiss activities are combined in the 'Other' geographical segment, in accordance with the internal reporting to the CEO and CFO of the Group.

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

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



Segment reporting

at 31 December 2020

INCOME STATEMENT

IN '000 €	2020									
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	UNITED STATES	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NOT ALLOCATED	TOTAL
Segment revenue	33 148	24 743	33 664	16 402	28 173	12 473	6 173	2 175		156 951
Intersegment revenue	19 368	-26						-11		19 331
Revenue	52 516	24 717	33 664	16 402	28 173	12 473	6 173	2 164		176 282
Cost of sales	-50 580	-30 907	-56 928	-21 496	-28 187	-23 337	-6 157	-2 047		-219 639
Gross result	1 936	-6 190	-23 264	-5 094	-14	-10 864	16	117		-43 357
Marketing and selling expenses	-8 035	-1 748	-4 572	-1 086	-899	-207	-696	-71		-17 314
Administrative expenses	-13 835	-1 362	-1 374	-867	-1 148	-1 170	-222	-256		-20 234
Other operating income	1 299	4 822	5 673	1 776	1 581	74	26	285		15 536
Other operating expenses	-152	-44	-29	-5	-64					-294
Segment result	-18 787	-4 522	-23 566	-5 276	-544	-12 167	-876	75		-65 663
Financial income									1 552	1 552
Financial expenses									-27 604	-27 604
Result before tax										-91 715
Income tax expenses									22 604	22 604
RESULT OF THE PERIOD										-69 111

BALANCE SHEET – ASSETS

IN '000 €	2020									
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	UNITED STATES	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NOT ALLOCATED	TOTAL
Intangible assets	5 564	881	2 624	295	173	2 107	29			11 673
Goodwill	6 586	11 317	31 985	22 015	34 057	44 842	5 844	6 502		163 148
Property, plant and equipment	66 763	81 394	88 433	52 504	138 782	74 558	11 631	7 071		521 136
Right-of-use assets	8 294	27 441	209 941	41 046	24 557	45 918	5 284			362 481
Investment property			1 648	6 721				9 188		17 557
Deferred tax assets									14 778	14 778
Other receivables	9	4 964	491	866	-20		11			6 321
Other financial assets									27	27
Non-current assets	87 216	125 997	335 122	123 447	197 549	167 425	22 799	22 761	14 805	1 097 121
Inventories	1 905	299	446	380	472	243	84	36		3 865
Trade and other receivables	11 128	6 343	2 469	1 664	3 534	663	809	146		26 756
Current tax assets									7 431	7 431
Cash and cash equivalents									33 007	33 007
Current assets	13 033	6 642	2 915	2 044	4 006	906	893	182	40 438	71 059
SEGMENT ASSETS	100 249	132 639	338 037	125 491	201 555	168 331	23 692	22 943	55 243	1 168 180

BALANCE SHEET – EQUITY AND LIABILITIES

IN '000 €	2020									
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	UNITED STATES	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NOT ALLOCATED	TOTAL
Share capital and share premium									20 106	20 106
Consolidated reserves									123 640	123 640
Translation reserve									-17 254	-17 254
Equity attributable to the owners of the Company									126 492	126 492
Non-controlling interests									4	4
Total equity									126 496	126 496
Loans and borrowings									469 882	469 882
Lease liabilities	5 760	25 635	213 622	38 428	25 592	44 597	4 683			358 317
Provisions for employee benefits	998									998
Provisions	1 602	139	280							2 021
Deferred tax liabilities									13 107	13 107
Derivative financial instruments									87	87
Other payables	141	5 946	2	193	74					6 356
Non-current liabilities	8 501	31 720	213 904	38 621	25 666	44 597	4 683		483 076	850 768
Bank overdrafts									112	112
Loans and borrowings									76 599	76 599
Lease liabilities	2 428	2 487	18 692	3 838	4 255	3 074	521			35 295
Trade and other payables	32 099	12 851	15 446	3 373	8 880	3 771	1 608	307		78 335
Provisions	42	198			29					269
Current tax liabilities									306	306
Current liabilities	34 569	15 536	34 138	7 211	13 164	6 845	2 129	307	77 017	190 916
SEGMENT EQUITY AND LIABILITIES	43 070	47 256	248 042	45 832	38 830	51 442	6 812	307	686 589	1 168 180

CAPITAL EXPENDITURE

IN '000 €	2020									
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	UNITED STATES	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NOT ALLOCATED	TOTAL
CAPITAL EXPENDITURE	4 459	5 216	11 965	1 521	20 326	1 214	491	28		45 220

NON-CASH ELEMENTS

IN '000 €	2020									
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	UNITED STATES	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NOT ALLOCATED	TOTAL
Depreciations, amortisations, impairments and provisions	14 643	11 710	24 642	8 536	10 501	9 764	2 229	826		82 851
Others	469									469
TOTAL	15 112	11 710	24 642	8 536	10 501	9 764	2 229	826		83 320

Segment reporting

at 31 December 2019

INCOME STATEMENT

IN '000 €	2019									
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	UNITED STATES	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NOT ALLOCATED	TOTAL
Segment revenue	209 382	81 754	137 712	61 369	65 738	15 728	17 550	4 682		593 915
Intersegment revenue	-42 360	-39						-34		-42 433
Revenue	167 022	81 715	137 712	61 369	65 738	15 728	17 550	4 648		551 482
Cost of sales	-106 890	-57 047	-112 821	-43 988	-46 319	-12 777	-11 337	-2 707		-393 886
Gross result	60 132	24 668	24 891	17 381	19 419	2 951	6 213	1 941		157 596
Marketing and selling expenses	-13 131	-3 030	-5 556	-2 567	-2 320	-106	-1 052	-124		-27 886
Administrative expenses	-17 707	-1 787	-7 147	-1 103	-1 527	-407	-281	-347		-30 306
Other operating income	46	841	343	38	1 078		95			2 441
Other operating expenses	-139	-85	-268	-114	-70	-83	-49			-808
Segment result	29 201	20 607	12 263	13 635	16 580	2 355	4 926	1 470		101 037
Financial income									941	941
Financial expenses									-24 667	-24 667
Result before tax										77 311
Income tax expenses									-22 939	-22 939
RESULT OF THE PERIOD										54 372

BALANCE SHEET – ASSETS

IN '000 €	2019									
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	UNITED STATES	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NOT ALLOCATED	TOTAL
Intangible assets	6 386	717	2 852	329	176	2 499	28			12 987
Goodwill	6 586	11 317	34 053	22 015	33 970	49 087	5 844	6 502		169 374
Property, plant and equipment	73 469	85 201	93 026	56 158	127 626	86 912	12 787	7 145		542 324
Right-of-use assets	9 874	22 882	234 870	58 835	15 007	53 963	1 781			397 212
Investment property				6 721				10 160		16 881
Deferred tax assets									1 227	1 227
Other receivables	2	7 261	572	873	-20	312	11			9 011
Other financial assets									27	27
Non-current assets	96 317	127 378	365 373	144 931	176 759	192 773	20 451	23 807	1 254	1 149 043
Inventories	2 228	500	994	563	878	536	115	37		5 851
Trade and other receivables	20 773	10 813	9 439	3 425	4 042	3 594	1 208	91		53 385
Current tax assets									1 303	1 303
Cash and cash equivalents									72 473	72 473
Assets classified as held for sale			1 767							1 767
Current assets	23 001	11 313	12 200	3 988	4 920	4 130	1 323	128	73 776	134 779
SEGMENT ASSETS	119 318	138 691	377 573	148 919	181 679	196 903	21 774	23 935	75 030	1 283 822

BALANCE SHEET – EQUITY AND LIABILITIES

IN '000 €	2019									
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	UNITED STATES	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NOT ALLOCATED	TOTAL
Share capital and share premium									20 106	20 106
Consolidated reserves									191 448	191 448
Translation reserve									-582	-582
Equity attributable to the owners of the Company									210 972	210 972
Non-controlling interests									281	281
Total equity									211 253	211 253
Loans and borrowings									479 513	479 513
Lease liabilities	7 191	20 942	230 885	55 001	17 086	50 753	1 194			383 052
Provisions for employee benefits	1 036									1 036
Provisions	1 585	162	299		238					2 284
Deferred tax liabilities									20 408	20 408
Derivative financial instruments									169	169
Other payables		6 635	3	232	69					6 939
Non-current liabilities	9 812	27 739	231 187	55 233	17 393	50 753	1 194		500 090	893 401
Bank overdrafts									115	115
Loans and borrowings									10 099	10 099
Lease liabilities	2 335	1 993	18 006	4 385	2 388	3 537	447			33 091
Trade and other payables	50 117	21 993	27 817	7 978	13 436	7 102	3 615	682		132 740
Provisions	120	335			29		65			549
Current tax liabilities									2 574	2 574
Current liabilities	52 572	24 321	45 823	12 363	15 853	10 639	4 127	682	12 788	179 168
SEGMENT EQUITY AND LIABILITIES	62 384	52 060	277 010	67 596	33 246	61 392	5 321	682	724 131	1 283 822

CAPITAL EXPENDITURE

IN '000 €	2019									
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	UNITED STATES	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NOT ALLOCATED	TOTAL
CAPITAL EXPENDITURE	13 802	12 409	21 023	3 672	8 511	15	2 852	420		62 704

NON-CASH ELEMENTS

IN '000 €	2019									
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	UNITED STATES	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NOT ALLOCATED	TOTAL
Depreciations, amortisations, impairments and provisions	13 980	10 182	23 781	8 357	10 017	2 368	2 135	481		71 301
Others	722									722
TOTAL	14 702	10 182	23 781	8 357	10 017	2 368	2 135	481		72 023

3. Revenue

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

IN '000 €	2019	2020
Box Office	304 691	91 347
In-theatre Sales	155 852	45 923
Business-to-Business	60 914	22 930
Brightfish	12 901	3 123
Film distribution	3 182	2 049
Technical department	84	14
TOTAL IFRS 15	537 624	165 386
Real estate	13 858	10 896
TOTAL	551 482	176 282

Box Office revenue (hereinafter: BO) decreased with 70.0% to € 91.3 million. The BO per visitor decreased in almost all countries, due to the absence of blockbusters and the resulting lower sales of premium products such as Cosy Seats, Laser ULTRA, 4DX and ScreenX, as well as a lower share of 3D. BO revenue per visitor increased in Spain, thanks to fewer price promotions in 2020 and an increase in ticket prices in 2019.

The sale of drinks and snacks (In-theatre Sales, ITS) decreased with 70.5% to € 45.9 million, falling slightly more than the development in visitor numbers, due to less 'popcorn-content' on the one hand and the restrictions on sales in many countries in the fourth quarter on the other hand. We saw a decline in revenue per visitor in almost all countries, except in North America, where both Canada and the United States recorded an increase in the number of products sold per visitor.

B2B revenue decreased by 62.4%, partly due to a strong decline in screen advertising (-71.2%) and a decrease in the sale of vouchers and events.

Real estate income decreased by 21.4% due to a decrease in the variable rent in Poland, less income from parking and from own concessions, allowances to tenants during the lockdown and a number of vacant concessions in Belgium and the Netherlands.

The revenue of Kinopolis Film Distribution (KFD), decreased by only 35.6%, despite fewer releases, mainly due to increased revenue from the after-theatrical catalogue (home entertainment).

Brightfish saw its income fall with 75.8% due to the closure of the cinemas and a consequent sharp decline in both events and national and local screen advertising.

Revenue from Box Office and In-theatre Sales (which together represented 77.9% 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, weather conditions and exceptional events such as the Covid-19 pandemic. Consequently, the number of visitors, and therefore the turnover, can be very volatile. For more information regarding the risks involved, we refer to 'Description of the main business risks' in the 'Corporate Governance Statement' section.

B2B consists of three products: sales of vouchers, sales of cinema advertising and sales of film and non-film related events. Film related events make up the bulk of B2B and are closely related to the line-up and the number of films produced and their potential success. The sale of vouchers and cinema advertising strongly depend on the macro-economic climate and business confidence.

The Brightfish results are highly dependent on the macro-economic climate, the advertising spending mainly in the FMCG industry and the share of cinema and marketing campaigns of the major advertisers. Depending on the pricing in other media such as online and TV, this can fluctuate widely.

The results for film distribution depend on the number and success of the Flemish productions of which Kinopolis Film Distribution (KFD) owns the rights, combined with the international releases of which Kinopolis Film Distribution owns the rights for the Belgian and Luxembourg territory, together with Dutch Filmworks (DFW).

4. Other operating income and expenses

OTHER OPERATING INCOME

IN '000 €	2019	2020
Government grants	708	951
Government grants and support measures due to the Covid-19 pandemic		6 677
Rent concessions due to the Covid-19 pandemic		7 540
Capital gains on disposal of property, plant and equipment	1 350	109
Others	383	259
TOTAL	2 441	15 536

GOVERNMENT GRANTS

In France, the Group receives grants from the Centre National du Cinéma et de l'image Animée (CNC) for cinema related investments. These grants come from a fund financed by a contribution from cinema operators in the form of a percentage of ticket sales. The grants are recorded as liabilities on the balance sheet, and are taken into the result over the useful life of the related assets, at € 1.0 million in 2020 (2019: € 0.7 million).

GOVERNMENT GRANTS AND SUPPORT MEASURES AS A RESULT OF THE COVID-19 PANDEMIC

As a result of the outbreak of the Covid-19 virus, the governments in the various countries where Kinopolis operates have decided to provide support measures. The Group obtained non-directly attributable or general grants of € 6.7 million in this regard (FR: € 3.5 million,

NL: € 1.5 million, BE: € 1.1 million, ES: € 0.3 million and CH: € 0.3 million). For more information and a detailed breakdown we refer to note 29.

RENT CONCESSIONS AS A RESULT OF THE COVID-19 PANDEMIC

In addition, the Group obtained € 7.5 million rent concessions in 2020, as a direct result of the Covid-19 pandemic. Most of this relates to the lease of land and buildings in Canada (€ 5.7 million). The rent concessions obtained are only included under 'Other operating income' if the conditions of Covid-19-related rent concessions (amendment to IFRS 16), issued by the IASB on 28 May 2020, are met. For more information we refer to note 26.

OTHER OPERATING EXPENSES

IN '000 €	2019	2020
Losses on disposal of property, plant and equipment	-181	-84
Losses on disposal of trade receivables	-251	-141
Others	-375	-69
TOTAL	-808	-294

5. Employee benefit expenses and other social benefits

IN '000 €	2019	2020
Wages and salaries	-65 601	-33 634
Mandatory social security contributions	-11 771	-7 807
Employer contributions to employee insurances	-925	-1 034
Share-based payments	-723	-469
Other employee benefit expenses	-3 232	-1 645
TOTAL	-82 252	-44 589
Total full-time equivalents at the balance sheet date	2 603	1 215

The decrease in employee benefit expenses in 2020 is mainly attributable to the consequences of the Covid-19 pandemic. One of the measures that Kinopolis has taken to arm itself against the current circumstances is to scale down its temporary and permanent staff. With regard to the employees of the complexes in view of the mandatory closure and capacity restrictions, as well as the employees of the support services, by limiting those to only the strictly necessary services.

The Group was also able to make use of the system of economic unemployment in Belgium and Spain, as well as the system of wage subsidies in France, the Netherlands, Luxembourg, Canada, the United States and Switzerland. In the economic unemployment system, the wage cost does not have to be paid by the Company, but is paid directly to the employee by the government. By contrast, the wage cost is first paid by the Company in the wage subsidy system, and can subsequently be reclaimed from the government in

whole or in part. The Group received € 12.6 million in wage subsidies. Grants obtained as compensation for directly attributable costs, such as employee benefit expenses, are taken directly in the income statement, deducted from the related costs. In the other countries, the system of economic unemployment was applied, with the wage costs borne, in part or otherwise, directly by the government.

The share-based payments are related to the options granted in 2017, 2018 and 2019. For more information we refer to note 20.

The employee benefit expenses also include early retirement pensions, which, in accordance with IFRS, should be treated as termination benefits, as no reasonable expectation was generated among employees during hiring or employment that they would be entitled to an early retirement pension before the legal retirement age. They are non-material amounts.

CLARIFICATION OF PENSION LIABILITIES AND PENSION COSTS

The amounts on the balance sheet are determined as follows:

IN '000 €	2019	2020
Defined benefit plan	1 036	998
TOTAL	1 036	998

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

The Group has two pension plans in Belgium that are deemed to be pension plans with defined contributions by law. As Belgian law applies to all second pillar pension plans ('Vandenbroucke Law'), all Belgian plans with defined contributions under IFRS are qualified as defined benefit plans. The 'Vandenbroucke Law' states that, in the context of the defined contribution plans, the employer must guarantee a minimum return of a percentage that is adjusted based on market returns, with a minimum of 1.75% and a maximum of 3.75%, which reduces the risk for the employer.

These minimum return requirements for the defined contribution plans in Belgium expose the employer to a financial risk (because there is a legal obligation to pay future contributions if the fund has insufficient assets to pay all the employee benefits related to the work performed by the employees in the current and past periods). As a consequence, these plans must be classified and recognised in the accounts as a defined benefit plan as under IAS 19.

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

IN '000 €	2019	2020
Liability from defined benefit plans	6 201	6 688
Fair value of fund investments	-5 165	-5 690
Net liability (-asset) from defined benefit plan	1 036	998

Assets concern qualifying insurance policies and are not part of the financial instruments of the Group.
The minimum return guarantee is currently 1.75%.

ACTUARIAL ASSUMPTIONS

The main actuarial assumptions are:

IN %	2019	2020
Weighted average discount rate	0.60%	0.70%
Expected inflation	1.75%	1.75%
The expected general pay rise	2.75%	2.75%

Life expectancy is based on the Belgian mortality table MR/FR, adjusted by -5 years.

TOTAL COMPREHENSIVE INCOME

For these pension plans, the following amounts are included in total comprehensive income:

IN '000 €	2019	2020
Included in the income statement		
Pension costs allocated to the year of service	-234	-324
Interest expenses	-6	-5
	-240	-329
Included in other comprehensive income		
Changes to estimates of defined benefit plans	-516	96
	-516	96
Total comprehensive income	-756	-233

The expected pension costs from defined benefit plans for 2021 are € 0.3 million, and primarily relate to allocated pension costs.

SENSITIVITY ANALYSIS

IN '000 €	31 DECEMBER 2020	
	INCREASE	DECREASE
Discount rate (1% movement)	-528	654
Future pay fluctuation (1% movement)	50	-43
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;

- *Longevity risk:* pension plans provide participants benefits as long as they live, so an increase in life expectancy will result in an increase in plan liabilities.

6. Additional information on operating expenses by nature

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

IN '000 €	2019	2020
Purchases	-200 162	-58 194
Services and other goods	-62 448	-39 943
Employee benefit expenses and other social benefits	-61 200	-32 077
Depreciations and amortisations	-66 342	-76 560
Provisions and impairments	-418	-2 311
Others	-3 317	-10 554
COST OF SALES	-393 886	-219 639

The table below shows the breakdown of marketing and selling expenses by nature:

IN '000 €	2019	2020
Services and other goods	-18 209	-10 814
Employee benefit expenses and other social benefits	-7 825	-4 606
Depreciations and amortisations	-1 838	-1 791
Provisions and impairments	-4	-96
Others	-9	-7
MARKETING AND SELLING EXPENSES	-27 886	-17 314

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

IN '000 €	2019	2020
Services and other goods	-14 285	-10 197
Employee benefit expenses and other social benefits	-13 227	-7 907
Depreciations and amortisations	-2 554	-2 107
Provisions and impairments	-145	15
Others	-95	-38
ADMINISTRATIVE EXPENSES	-30 306	-20 234

The overall decrease in operating expenses is mainly the result of the Covid-19 pandemic. In 2020, the Group focused on strong cost control to mitigate the impact of the Covid-19 pandemic. However, the fixed costs, such as depreciations, are of the nature that they are not affected by the cost control measures. The increase in these fixed costs is partly due to the fact that the fixed costs of the acquisitions in 2019 are included for a full year in 2020.

The increase in the Other category under cost of sales is partly explained by a decrease in the capitalisation of the own produced assets with regard to projection material, the roll-out of experience concepts and the IT infrastructure in 2020 compared to 2019, as a result of the limitation of costs and a general investment stop after the first lockdown had taken effect. This is partly compensated by a decrease in costs, such as local taxes, which evolve with the number of visitors, the latter being impacted by the consequences of the Covid-19 pandemic.

7. Financial income and expenses

FINANCIAL INCOME

IN '000 €	2019	2020
Interest income	59	5
Foreign exchange gains	144	781
Unwinding of non-current government grants receivable	373	297
Others	365	469
TOTAL	941	1 552

The foreign exchange gains mainly relate to the fluctuations of the Canadian Dollar and the Polish Złoty against the Euro.

FINANCIAL EXPENSES

IN '000 €	2019	2020
Interest expenses	-11 027	-14 674
Interest expenses on lease liabilities	-9 353	-10 248
Foreign exchange losses	-229	-394
Others	-4 058	-2 288
TOTAL	-24 667	-27 604

The increase in interest expenses is mainly due to an increase in gross debt due to the private placement of bonds amounting to € 225.0 million in July 2019. Interest expenses in 2020 are charged for the full year, whereas this only applies from the beginning of July in 2019. The increase is reinforced by an increase in interest expenses attributed to the roll-over credit as drawings were requested throughout 2020, which was not the case throughout 2019. The increase is partly offset by the repayment of a bond for € 59.1 million in March 2019.

The interest expenses attributed to lease liabilities amounted to € 10.2 million (2019: € 9.4 million). For more information we refer to note 26.

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

In 2020, the capitalisation of interest costs related to construction projects amounted to € 0.2 million (2019: € 0.2 million). As the Group applies a general financing policy, a weighted average interest rate of 2.70% (2019: 2.64%) was applied to the capitalisation of the interest costs of construction projects.

The total costs with regard to the refinancing of the Group in 2012 amounted to € 1.1 million, of which € 0.1 million is included in the result for 2020 (2019: € 0.1 million). The costs of the refinancing of the Group in 2015 amounted to € 1.6 million, of which € 0.2 million is included in result for 2020 (2019: € 0.2 million). The costs of the refinancing of the Group in 2017 amounted to € 0.5 million, of which € 0.1 million is included in the result for 2020 (2019: € 0.1 million). The costs of the refinancing of the Group in 2019 amounted to € 1.7 million, of which € 0.2 million is included in the result for 2020 (2019: € 0.1 million). The costs related to refinancing are included in the result via the effective interest method, and are part of the other financial expenses.

The remaining other financial expenses in 2020 and 2019 mainly related to bank charges. The bank charges are partly volume-related, with the result that this decrease is partly explained by the decrease in the number of visitors.

8. Income tax expenses

IN '000 €	2019	2020
Current tax expenses	-23 910	2 383
Deferred tax expenses	971	20 220
TOTAL	-22 939	22 604

The income taxes in 2020 concern an income, due to the negative result before tax. A positive result before tax was realised in 2019, and therefore an income tax expense. The effective tax rate was 24.64% in 2020 (2019: 29.67%). The decrease in the effective tax rate is mainly due to a lower tax rate in various countries. There was a tax rate of 25.00% in 2020 in Belgium (2019: 29.58%), an average tax rate of 25.50% in Canada (2019: 26.70%) and a tax rate of 28.00% in France (2019: 31.00%). Furthermore, some subsidies have also been received due to the Covid-19 pandemic that are exempted from tax, these are included under the line 'Tax-exempt income' in the table below.

Part of the tax losses in 2020 were offset by the profits of 2019, mainly in Belgium and Canada. The so-called 'carry

back' system has been applied in Belgium as a result of the Covid-19 pandemic. This in response to the law of 23 June 2020, published on 1 July 2020, regarding the temporary tax exemption of profits pending tax losses realised in the Covid-19 period. This law allows for the early deduction of the losses of the year 2020, as a result of the Covid-19 pandemic, by offsetting them against the profits for 2019. This 'carry back' option already existed in Canada before the Covid-19 pandemic. Through the application of this system, (part of) the loss for the period results in a positive current income tax in the income statement, instead of a deferred tax. On the balance sheet, the 'carry back' results in a current tax asset instead of a deferred tax asset. We refer to notes 13 and 24 for more information.

EFFECTIVE TAX RATE RECONCILIATION

IN '000 €	2019	2020
Result before tax	77 311	-91 715
Belgian tax rate	29.58%	25.00%
Income taxes using the local tax rate	-22 868	22 929
Effect of tax rates in foreign jurisdictions	359	-117
Disallowed expenses	-524	-407
Tax-exempt income	56	695
Impairment on treasury shares	8	-203
Losses for which no deferred tax asset is recognised	-18	-346
Use of unrecognised losses and tax losses for which no deferred tax asset was recognised	156	44
Under/(over) provision in prior periods	22	20
Change to law and tax rate in Luxembourg	101	
Change to law and tax rate in the Netherlands	-86	-128
Change to law and tax rate in Canada	327	
Other adjustments	-472	117
TOTAL INCOME TAX EXPENSES	-22 939	22 604
Effective tax rate	29.67%	24.64%

The 'Other adjustments' mainly concern deferred taxes on temporary differences between tax and group results in the different countries.

The 'Change to law and tax rate in the Netherlands' mainly concern the future reduction of the income tax rate from 25.00% to 22.55% in 2020, and to 20.50% from 2021. The change in the income tax rate from 2021 was adjusted to 21.70% in 2019, instead of 20.50%. There was another change in legislation in 2020, as a result of which the

previous decisions will no longer be applied and the income tax rate will remain at 25.00%, both in 2020 and in future years. The 'Change to law and tax rate in Canada' in 2019 relates to the gradual decrease in the average income tax rate in Canada from 27.00% to 25.50% in 2022, due to a decrease in the income tax rate in the state Alberta. In 2020, it was decided in Canada that the decrease in the state Alberta would be effective as of mid-2020, instead of 2022.

9. Intangible assets

IN '000 €	PATENTS AND LICENSES	OTHERS	INTERNALLY GENERATED INTANGIBLE ASSETS	TOTAL
Acquisition value	15 825	4 364	3 550	23 739
Amortisations and impairment losses	-10 648	-986	-2 441	-14 075
NET CARRYING AMOUNT AT 31/12/2018	5 177	3 378	1 109	9 663
Acquisitions	1 907	1	729	2 637
Sales and disposals	-1	-2		-3
Transfer to other categories	146	31	200	377
Amortisations	-1 900	-86	-473	-2 459
Acquisitions through business combinations	935	1 702		2 637
Effect of exchange rate fluctuations	-12	147		135
Acquisition value	19 374	6 262	4 233	29 869
Amortisations and impairment losses	-13 123	-1 092	-2 667	-16 882
NET CARRYING AMOUNT AT 31/12/2019	6 252	5 170	1 565	12 987
Acquisitions	1 526		322	1 848
Sales and disposals	-63	-19		-82
Transfer to other categories	29			29
Amortisations	-2 146	-169	-594	-2 909
Others		185		185
Effect of exchange rate fluctuations	-70	-316		-386
Acquisition value	20 465	6 102	4 822	31 389
Amortisations and impairment losses	-14 937	-1 251	-3 528	-19 716
NET CARRYING AMOUNT AT 31/12/2020	5 528	4 851	1 294	11 673

The patents and licenses mainly comprise software purchased from third parties. The internally generated intangible assets concern the changes to the software for the Group's ticket system.

The 'Other' category includes the trade name 'Landmark Cinemas', which amounts to € 2.6 million (2019: € 2.8 million). The trade name has an indefinite useful life. The decrease can be explained by the exchange rate fluctuation of the Canadian Dollar. The trade name was retained with the acquisition of Landmark Cinemas in 2017, as this is the second largest cinema group in Canada. Further organic growth on the Canadian market and the marketing of

the existing cinemas will be carried out under the name 'Landmark Cinemas'. In addition, this category also contains the trade name 'MJR Digital Cinemas' for € 1.4 million (2019: € 1.7 million) with a definite useful life.

The acquisitions amount to € 1.8 million in 2020 (2019: € 2.6 million) and mainly concern investments in various software used by the Group, such as modifications to the ticketing system software and the back-office software, as well as investments in IT infrastructure. These consist of the internal hours worked for € 0.3 million and purchases from third parties for € 1.5 million.

10. Non-financial assets and business combinations

IMPAIRMENT TEST

As a result of the worldwide outbreak of the Corona virus, Kinopolis was forced to close all its cinemas as of mid-March. Kinopolis resumed operations in almost all countries at the beginning of the summer. In each country, the operation of the cinemas has been subject to significant, constantly changing capacity restrictions since reopening, as well as other measures to protect the health of staff and visitors. As a result of the increasing spread of the virus once again, additional measures were introduced in all countries, with Kinopolis again forced to close most of its cinemas in the autumn. Due to the closure of almost all locations, a large part of the revenue was lost for a period of several months. This has a serious impact on the Group's financial results in 2020.

The strategy and nature of the Company, characterised by a maximum variability of costs, a solid real estate position, with a large proportion of cinema real estate being owned, a decentralised organisation and a 'facts-and-figures' driven corporate culture help Kinopolis Group to manage this crisis optimally.

In the short term, Kinopolis is dependent on the availability and timing of content. In addition, the maximum capacity per theatre and screening is 35% in most countries. Due to the size of the theatres and the historical occupancy rate, this is not a limitation for most of the screenings. Without additional measures, more than 80% of customers can be accommodated with 35% capacity. By adjusting the screening hours and the programming, this percentage can even be substantially increased to above 90%. After all, cinema activity is characterised by very volatile occupancy during the afternoons and evenings, weekdays and weekends, public holidays and holidays. An adaptation of the film programming, in which films with greater demand are programmed simultaneously in several theatres on peak days, and with the insertion of more screenings where necessary, allows Kinopolis to optimise the number of visitors that we can accommodate while respecting the Covid capacity limitations. It can also be expected that a customer who is confronted with a sold-out screening will choose a different screening. We should therefore be able to meet a large part of the demand, despite the imposed restrictions. This invalidates the misconception that a limitation of the seating capacity leads to a proportional reduction in the number of visitors. For example, important blockbusters, if available, can be played at the same time in several theatres of the complex in order to offer everyone the full movie experience.

The cinema sector is also indirectly affected by the fact that Hollywood film studios are facing a significant limitation in their distribution capacity for their blockbusters, with cinemas in the United States closed until recently (35% of the global market) and major capacity restrictions applying to the cinemas that are open in the

rest of the world. As a result, the (theatrical) releases of almost all blockbusters were postponed to 2021 and even 2022. Under 'normal' circumstances, Kinopolis Group realises 80% of its tickets from blockbusters. Since the reopening, the lack of blockbusters has had a larger impact on visitor numbers than the capacity restrictions imposed by the authorities.

In the weeks that we were open in the autumn, we achieved approximately 40% of the planned attendance figures in our European cinemas. Against a background of no major blockbusters being released and the fact that we realise 80% of our visitors with blockbuster films in 'normal' times, this is an encouraging result. During the first three weeks following the release of the film 'Tenet' at the end of August, we even achieved an average of 60% of expected visitors in our cinemas in Europe. And this with only a single blockbuster film in the programming, which is moreover more of a 'niche film' in its genre. The film also attracted more visitors than the previous Christopher Nolan film '1917'. The supply of local films in Europe also supports demand.

Customer satisfaction (we organise a continuous customer survey) is above 85%, with the 'Net Promotor Score' for Kinopolis as a 'brand' clearly higher than before the crisis. Customer research in various countries shows that consumer demand remains intact, and that the intention to visit the cinema definitely is there and will remain.

During this Corona crisis, the Hollywood studios have consequently opted to postpone most of their film releases until 2021, or even 2022, on the assumption that, as a distribution channel, cinemas would once again be able to offer their films to full capacity.

Kinopolis currently sees no reason to expect the business model to be affected in the longer term, and currently still considers the impact of the Covid-19 pandemic to be a short-term impact that does not change the underlying parameters of its business model.

At the end of 2020, as in every year, a review was performed to identify any indications of a possible impairment of non-financial assets. As in every year, the economic situation, the expected evolution of visitor numbers, EBITDA, the free cash flow and the components that determine the Group's weighted average cost of capital, i.e. the risk-free interest rate, the market risk premium and the cost of debt, were taken into account in this regard. However, given the health crisis caused by Covid-19, for the 2020 tests, Covid-19 was broadly identified as a potential impairment trigger for all cash-generating units and, due to the pandemic, the annual impairment exercise was extended to include additional scenario analyses on top of the 'normal' sensitivity analyses.

An annual impairment test must always be performed for cash-generating units to which goodwill is allocated, and for intangible assets with an indefinite useful life, regardless of whether there are indications of impairment. For the carrying amount of intangible assets with indefinite useful life allocated to the cash-generating unit 'Canada', we refer to note 9.

Each year, the data of the budget for the next year is taken as the basis for the next 20 years for all cash-generating units:

- The visitor figures, which are the most important driver, are based on the budget for the following year that assumes a fictitious low number of visitors (-5% visitors compared to the previous year). In principle, this exercise is carried out annually, with the aim of making the Company look for measures to increase profitability, and thereby lower the break-even point. The Company does not assume that visitor numbers will decrease by 5% but, by working with this visitor evolution, the operational entities of the Group are forced to think about how they can increase the contribution per visitor and the total, in order to compensate for the difference in visitors. By also using this budget in the impairment tests, a cautious budget is therefore assumed;
- All other drivers are also based on the budget for the following year, including all the improvements and optimisations included in this, such as improvements in the product mix and the launch of new products, more efficient staff scheduling, the impact of contract negotiations with suppliers, and more;
- The EBITDA grows by 1% annually, and is applied to all countries and for each cash-generating unit. This is only intended to compensate for inflation, with the EBITDA margin remaining constant. The 1% is a conservative approach, as it is less than the long-term inflation expectation and historical evolution;
- The assumptions regarding replacement investments are based on historical ratios, and are differentiated depending on whether they refer to buildings that are owned or leased. The amounts are determined on the basis of the group guidelines, which must be followed by all countries. These amounts are increased annually by 1% for all countries.

The same method was chosen for this year but, given the circumstances, the starting position was again the 2020 budget. Two scenarios have been developed based on the 2020 budget.

The first scenario is the base case scenario, which assumes a gradual recovery of the operating cash flow from the second half of 2021. We still assume that there will be a limited impact on the operating cash flow in 2022, with a return to the normal level of activity from 2023 onwards. This is the base case scenario used for the impairment analysis.

For 2021, we assume that the recovery in the second half of the year will gradually develop towards 50 to 70% of the normal visitors and EBITDA, depending on the region. From 2022 onwards, we should develop from 80% to 100% of pre-Covid visitor numbers and EBITDA, with these assumptions being made for reasons of prudence, supplemented by the expected visitor numbers for the newly built cinemas. We assume a return to a normal activity level from 2023 onwards.

In the pessimistic scenario, which is a sensitivity analysis of the basic scenario, we assume a much slower recovery, and only expect a recovery of the visitor numbers and EBITDA by the fourth quarter of 2021. As of 2022 we start and progress from 75% to 85% of pre-Covid visitor numbers, or a permanent effect of 15% on visitor numbers as a negative simulation, supplemented by the expected visitor numbers for the newly built cinemas.

As in the previous year, the impact of the implementation of IFRS 16 was taken into account for the tests at the end of 2020, which is further explained below in the various components of the impairment test.

As a result of the impairment tests that were performed, no impairment was identified in the base case scenario, only for the United States a limited headroom was identified. Due to the fact that MJR Digital Cinemas in the United States was only acquired a few months before the first Covid lockdown, no improvement potential for this country was included in the budget assumptions. Also in the pessimistic scenario, no impairment was identified for any country, except for the United States. The test result for the United States is negative in the pessimistic scenario to an amount of USD 16.7 million. However, this does not take into account the improvement potential that still needs to be unlocked.

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

The cash flows of the Group are generated per country:

- The programming of films and negotiations with distributors takes place at country level;
- The management structures are organised at country 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;
- The film rental is negotiated at country level;
- Marketing contributions by distributors are negotiated on a country-by-country basis;
- Screen advertising is managed at country level;
- Vouchers are sold via 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 country level.

The value in use was taken into consideration when carrying out the impairment tests. The value in use was determined for all cash-generating units by discounting the future cash flows calculated over the period from 2021 to 2040, based on the 2020 budget with adjustments within the projected scenarios. However, due to the impact of IFRS 16, which applies as of 2019, the definition of future cash flows has been changed, and the starting point for determining future cash flows has been EBITDA which, due to the impact of the implementation of IFRS 16, no longer includes lease payments for leased complexes, among other things. This increases the value in use of the tested assets. To compensate for this, the lease liability arising from these payments under IFRS 16 was deducted from the value in use in the impairment calculations. The future cash flows are calculated over a period of 20 years, as the Group owns a large part of its real estate and is therefore assured of long-term exploitation. The calculation of the lease liability must be based on the remaining lease term, including any extensions. In the case of the calculation of the lease liability starting from a term different to the assumed 20 years, the calculation of the lease liability was adjusted to 20 years.

The impact of IFRS 16 was also taken into account in determining the carrying amount of the non-financial assets or the carrying amount of the cash-generating units, with the right-of-use assets and the lease liabilities being part of the carrying amount.

A terminal value after 20 years is not taken into account, in exchange for this, the net book value of the country is not included in the test.

The projections are performed in the functional currency of the relevant country and discounted at the weighted average cost of the country's capital. The implementation of IFRS 16 required a more diversified approach to the proposed weighted average cost of capital at country level as, from 2019, the debt will also include the lease liabilities of the country, and future cash flows will be discounted at the weighted average cost of capital, while right-of-use assets are calculated on the basis of a discount rate. In order to align this, the country-specific debt / equity ratio was taken into account when calculating the weighted average cost of capital at country level, with the debt capital also including the lease liability of the country. The proposed weighted average cost of capital is 6.34% for Belgium, 6.06% for France, 3.98% for Canada, 5.37% for Spain, 6.00% for the Netherlands, 5.37% for the United States, 6.35% for Luxembourg, 6.53% for Switzerland and 6.80% for Poland (2019: 5.74% for Belgium, 5.60% for France, 4.79% for Canada, 5.29% for Spain, 5.40% for the Netherlands, 5.49% for Luxembourg, 5.45% for Switzerland and 7.57% for Poland) and was determined on the basis of the following theoretical parameters:

	2019						2020					
	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	-0.06%	6.63%	0.99	2.67%	6.52%	17.15%	0.75%	6.88%	1.13	2.70%	8.50%	33.37%
France	-0.06%	6.63%	0.99	2.67%	6.52%	19.97%	0.75%	6.88%	1.13	2.70%	8.50%	37.50%
Canada	1.48%	6.63%	0.99	2.67%	8.06%	53.58%	0.75%	6.88%	1.13	2.70%	8.50%	69.57%
Spain	0.28%	6.63%	0.99	2.67%	6.86%	32.27%	0.75%	6.88%	1.13	2.70%	8.50%	48.32%
The Netherlands	-0.32%	6.63%	0.99	2.67%	6.26%	20.20%	0.75%	6.88%	1.13	2.70%	8.50%	38.60%
United States ⁽²⁾							0.80%	6.88%	1.13	2.70%	8.55%	48.62%
Luxembourg	-0.36%	6.63%	0.99	2.67%	6.22%	17.28%	0.75%	6.88%	1.13	2.70%	8.50%	33.27%
Switzerland	-0.55%	6.63%	0.99	2.67%	6.03%	15.68%	0.75%	6.88%	1.13	2.70%	8.50%	31.82%
Poland	2.00%	6.63%	0.99	2.67%	8.58%	15.68%	1.20%	6.88%	1.13	2.70%	8.95%	31.82%

(1) Before tax.

(2) The United States was not added for 2019: no impairment test as the transaction data was not yet final.

The debt to equity ratio is differentiated by country due to the impact of lease liabilities under IFRS 16 at country level. Equity is based on the enterprise value of the Company, and not on the consolidated equity. The parameters for the weighted average cost of the capital are tested annually on the basis of the assumptions used by the analysts who follow the Group's share, while also taking into account the specific circumstances of each country. The market risk premium and the beta were based on the average used by the analysts. The risk-free interest rate was also based on the analysts' average except when the country's risk-free interest rate was higher, as in Poland and the United States. In this way, the calculation of the weighted average cost of capital was aligned to a significant extent with the analysts' calculation and an extra margin was also added.

The weighted average cost of capital before tax is 6.56% for Belgium, 6.32% for France, 4.46% for Canada, 5.70% for Spain, 6.26% for the Netherlands, 5.70% for the United States, 6.57% for Luxembourg, 6.65% for Switzerland and 6.96% for Poland (2019: 5.86% for Belgium, 5.75% for France, 5.17% for Canada, 5.50% for Spain, 5.53% for the Netherlands, 5.60% for Luxembourg, 5.50% for Switzerland and 7.65% for Poland). These percentages before taxes do not deviate substantially from the iterative calculation.

Management believes that the assumptions used in the impairment tests provide the best estimates of future developments, and believes that no reasonably possible change in any of the key assumptions would lead to a

carrying amount of the cash-generating units units that would materially exceed their recoverable amount, with the exception of the United States in the pessimistic sensitivity analysis.

As in every year, sensitivity analyses were performed with regard to the various parameters used for the weighted average cost of capital. Due to the Covid-19 pandemic, the impairment test (the base case scenario) was expanded to include an additional sensitivity analysis, more specifically, the pessimistic scenario.

In one of the analyses in the base case scenario, the cost of debt used was increased from 2.70% to 5.50% and was thereby more than doubled, which would lead to an increase in the weighted average cost of the capital that varies between 70 base points and 145 base points. This could only give rise to a possible impairment in one country, namely the United States, to an amount of USD 9.1 million. In all other countries, an increase in the cost of debt to 5.50% does not pose a problem.

In the pessimistic scenario, a slight increase in the cost of debt used from 2.70% to 3.00% in one of the analyses results in an additional impairment in Canada of CAD 1.0 million, in addition to the possible impairment in the United States. In the pessimistic scenario, a change in the cost of debt from 2.70% to 3.00% leads to an increase in the impairment of the United States from USD 16.7 million to USD 18.3 million. A further increase in the cost of debt to 5.50% in this scenario does not give rise to a possible impairment in another country.

GOODWILL

IN '000 €	2019	2020
BALANCE AT END OF PREVIOUS PERIOD	94 864	169 374
Acquisitions through business combinations	73 533	87
Effect of exchange rate fluctuations	977	-6 313
BALANCE AT END OF CURRENT PERIOD	169 374	163 148

The acquisitions through business combinations are discussed elsewhere in this note (see Business combinations).

GOODWILL PER CASH-GENERATING UNIT

IN '000 €	2019	2020
Belgium	6 586	6 586
France	11 317	11 317
Canada	34 054	31 985
Spain	22 015	22 015
The Netherlands	33 970	34 057
United States	49 087	44 842
Luxembourg	5 844	5 844
Poland	6 502	6 502
BALANCE AT END OF CURRENT PERIOD	169 374	163 148

BUSINESS COMBINATIONS

ACQUISITIONS IN 2020

There were no new business combinations during 2020. The acquisition through business combination in 2020 (€ 0.1 million) refers to a final settlement of the acquisition of Arcaplex (NL) in 2019.

ACQUISITIONS IN 2019

Acquisition of 'El Punt'

In December 2018, Kinopolis Group reached an agreement regarding the acquisition of two Spanish cinemas, namely cinema 'Full' in Barcelona and 'El Punt Ribera' in Alzira. Following approval by the Spanish competition authority, Kinopolis Group completed the acquisition on 28 February 2019. The transfer of control took place on 1 March 2019. Both cinemas are part of the El Punt cinema group, which was previously owned by the Sallent family. The 'El Punt Vallès' cinema, also located in Barcelona is not included in the transaction. All the shares were purchased.

The 'Full' megaplex in Barcelona has 28 screens with a total of 2 689 seats and welcomes more than 1.3 million cinema-goers every year. The complex is leased, and is situated in the 'Splau' commercial centre in 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 are equipped with 4K projectors and 19 screens have Dolby Atmos sound. The 'El Punt Ribera' cinema is located in a commercial district in Alzira, 44 km south of Valencia. The complex

of which the real estate is owned, has 10 screens – each featuring Dolby 7.1 sound – and 2 528 seats and attracts more than 300 000 visitors annually.

After deduction of cash acquired, the transaction has an enterprise value of € 26.0 million. The inclusion of the cinema group El Punt in the consolidation scope of the Group as of 1 March 2019, the date on which the effective control was acquired, resulted in goodwill of € 19.2 million. This goodwill originates from strengthening the position of Kinopolis in the Spanish market, synergy benefits and being able to offer the Kinopolis film experience to even more visitors.

As of 31 December 2019, the cinema group El Punt contributed € 11.9 million revenue, € 3.9 million EBITDA and € 1.6 million result to the consolidated results of the Group. If the transfer of control had taken place on 1 January 2019, El Punt would have contributed € 13.8 million in revenue, € 4.4 million EBITDA and € 1.9 million in result. The transaction expenses linked to this acquisition were € 0.3 million at 31 December 2019, and were recognised in the result as part of the administrative expenses.

NET IDENTIFIABLE ASSETS AND LIABILITIES

IN '000 €	2019
Property, plant and equipment and intangible assets	8 130
Other non-current receivables	176
Right-of-use assets	18 072
Inventories	152
Trade and other current receivables	255
Current tax assets	22
Cash and cash equivalents	414
Lease liabilities	-18 072
Bank overdrafts	-591
Deferred tax liabilities	-613
Trade and other current payables	-1 110
Current tax liabilities	-145
TOTAL	6 690

Property, plant and equipment and intangible assets of El Punt amount to € 8.1 million and are recognised at fair value. € 4.9 million concerns land and building related to the El Punt cinema complex in Alzira. The remaining part of € 3.2 million is allocated to furnishings, seats, screens and projectors. The 'Full' cinema in Barcelona is leased. When applying IFRS 16, a right-of-use asset and a lease liability of € 18.1 million are recognised on the balance sheet. Kinopolis pays an at arm's length rent that is reflected in the right-of-use assets. Trade and other current payables

include € 0.8 million in trade payables, € 0.2 million in remuneration, social security and other taxes, and € 0.2 million debt to previous shareholders. The deferred tax liability was recognised on the fair value revaluation of the building in Alzira. The revaluation of the building is based on a valuation report carried out by an external party. The other elements of the net identifiable assets and liabilities have not been adjusted, as they have already been included at fair value.

GOODWILL CALCULATION AND RECONCILIATION WITH THE CONSOLIDATED STATEMENT OF CASH FLOW

IN '000 €	2019
NET IDENTIFIABLE ASSETS AND LIABILITIES	6 690
Cash	26 003
Repayment of debt to the previous shareholders	-156
CONSIDERATION [1]	25 847
Net acquired cash [2]	-177
ACQUISITION OF SUBSIDIARIES, NET OF CASH ACQUIRED, IN THE STATEMENT OF CASH FLOW [1] - [2]	26 024
GOODWILL	19 157

The cash has been adjusted in the above table by a repayment of a debt paid by the previous shareholders and for name and account of 'Full'. This debt is not part of the acquisition.

Kinopolis will always carry out an acquisition without external debts (excl. lease liabilities). The goodwill generated is not tax-deductible.

Acquisition of 'Arcaplex'

Mid-October 2019, Kinopolis reached an agreement with the shareholders of Arcaplex regarding the acquisition of the Dutch cinema. As of 14 November 2019, Kinopolis Group took over both the real estate and the operation of the Arcaplex cinema located in Spijkenisse, the Netherlands. The cinema, which was previously owned and operated by the Rump family, has 9 screens and 951 seats, and welcomed more than 200 000 visitors in 2018. The cinema was thoroughly renovated and expanded in the spring of 2018. Three new screens were added in the process, provided with every seating comfort and equipped with laser projection for crystal-clear picture quality.

After deduction of the cash acquired, the transaction has an enterprise value of € 9.2 million. External debts were repaid just before acquisition, and were replaced by

financing from the Group. The inclusion of Arcaplex in the consolidation scope of the Group from 14 November 2019, the date on which effective control was acquired, resulted in goodwill of € 4.3 million. This goodwill originates from the strengthening of the position of Kinopolis on the Dutch market, synergy benefits and the offer of the Kinopolis film experience to even more visitors.

As of 31 December 2019, Arcaplex contributed € 0.5 million revenue, € 0.2 million EBITDA and € 0.1 million result to the consolidated results of the Group. If the control had been transferred on 1 January 2019, Arcaplex would have contributed € 3.0 million revenue, € 0.6 million EBITDA and € 0.1 million result. The transaction expenses linked to this acquisition were € 0.1 million at 31 December 2019, and were recognised in the result as part of the administrative expenses.

NET IDENTIFIABLE ASSETS AND LIABILITIES

IN '000 €	2019
Property, plant and equipment and intangible assets	5 739
Inventories	14
Trade and other current receivables	160
Bank overdrafts	-211
Deferred tax liabilities	-179
Trade and other current payables	-5 442
Current tax liabilities	-31
TOTAL	51

Property, plant and equipment and intangible assets of Arcaplex amount to € 5.7 million and are recognised at fair value. € 5.4 million concerns land and building related to the Arcaplex cinema complex in Spijkenisse. The remaining part of € 0.3 million is allocated to seats and projectors. Trade and other current payables include € 0.7 million in trade payables, € 0.2 million in remuneration, social security and other

taxes and € 4.6 million in debt to previous shareholders. The deferred tax liability was recognised on the fair value revaluation of the land in Spijkenisse. The revaluation of the land is based on a valuation report carried out by an external party. The other elements of the net identifiable assets and liabilities have not been adjusted, as they have already been included at fair value.

GOODWILL CALCULATION AND RECONCILIATION WITH THE CONSOLIDATED STATEMENT OF CASH FLOW

IN '000 €	2019
NET IDENTIFIABLE ASSETS AND LIABILITIES	51
CONSIDERATION [1]	4 389
Net acquired cash [2]	-211
Repayment of debt [3]	4 564
ACQUISITION OF SUBSIDIARIES, NET OF CASH ACQUIRED, IN THE STATEMENT OF CASH FLOW [1] - [2] + [3]	9 164
GOODWILL	4 338

The cash has been adjusted in the table above, with changes in current account and working capital. Kinopolis will always carry out an acquisition without external debts. Any external debts are repaid just before acquisition, and are replaced by an intra-group loan.

The repayment of these debts in the context of the acquisition of Arcaplex for an amount of € 4.6 million is therefore also included in the acquisition of subsidiaries in the statement of cash flow. The goodwill generated is not tax-deductible.

Acquisition of 'MJR Digital Cinemas'

In September 2019, Kinopolis announced the acquisition of Michigan-based MJR Digital Cinemas, but it was still subject to regulatory approvals from United States regulators. After obtaining the necessary approvals, Kinopolis was able to successfully complete the acquisition procedure on 11 October 2019.

MJR Digital Cinemas, with head office in Bloomfield Hills, Michigan, has 10 cinema complexes with a total of 164 screens and 16 630 seats, all located in Michigan. All the cinemas involved are multi- and megaplexes with capacities ranging from 10 to 20 screens.

Seven of these cinemas are owned (114 screens), including three on a leasehold site, the remaining three are leased complexes (50 screens). The group has three megaplexes with 20 screens each, five cinemas with 16 screens, one with 14 screens and one with 10 screens. All screens have 5.1 digital surround sound, and two complexes have an 'EPIC experience' auditorium, where 4K projection is combined with Dolby Atmos sound. Nine out of ten cinemas are also equipped with the recliner seat concept, the motorised, fully reclinable seats with footrest, which are also very successful in Canada.

The transaction has an enterprise value, after deduction of cash acquired, of € 138.8 million (USD 154.0 million). External debts were repaid just before acquisition, and were replaced by financing from the Group.

The inclusion of MJR Digital Cinemas in the Group's scope of consolidation as of 11 October 2019, the date on which effective control was acquired, resulted in goodwill of € 50.1 million. Taking into account that, in accordance with IFRS 9, the fair value of forward exchange contracts (€ 1.1 million) related to financial instruments entered into solely to finance a foreign currency acquisition (MJR Digital Cinemas) may be recognised in the determination of goodwill. The total goodwill originates from the strengthening of the position of Kinopolis in the North American market and gaining access to the American market, the visitor and intended improvement potential of the existing cinemas and their locations. The acquisition is in line with Kinopolis's expansion strategy and allows the Group to enter a new market, characterised by a healthy macro-economic perspective, a growing population and a favourable business climate.

As of 31 December 2019, MJR Digital Cinemas contributed € 15.7 million revenue, € 4.9 million EBITDA and € 1.2 million result to the Group's consolidated results. If the control had been transferred on 1 January 2019, MJR Digital Cinemas would have contributed € 64.7 million revenue, € 10.2 million EBITDA and € 1.7 million result. The transaction expenses linked to this acquisition were € 1.2 million at 31 December 2019, and were recognised in the result as part of the administrative expenses.

NET IDENTIFIABLE ASSETS AND LIABILITIES

IN '000 €	2019
Intangible assets	2 603
Property, plant and equipment	90 258
Right-of-use assets	54 894
Other non-current receivables	208
Inventories	413
Trade and other current receivables	1 687
Cash and cash equivalents	1 828
Non-current loans and borrowings	-25 589
Lease liabilities	-54 894
Trade and other current payables	-5 342
TOTAL	66 064

Property, plant and equipment and intangible assets are recognised at fair value. The intangible assets (€ 2.6 million) mainly relate to the trade name 'MJR Digital Cinemas' (€ 1.7 million). The trade name will be retained, as Kinopolis will operate in the United States under the name MJR Digital Cinemas. As MJR Digital Cinemas operates in only one state, Michigan, it was decided to opt for a definite useful life. If Kinopolis decides to expand its operations in the United States, it may be decided to assign a different trade name to all activities in the United States. The valuation was included on the basis of an actuarial report, using the 'value differential' method. The other intangible assets consist of software and licences.

Property, plant and equipment amount to € 90.3 million. Of this, € 67.3 million is related to land and buildings, € 11.8 million to furnishings and leasehold improvements, as well as land improvements and € 11.2 million for equipment such as seats, screens, projectors and sound systems, as well as the renovation of the complex in Adrian.

There are three leased complexes and three leasehold sites. When applying IFRS 16, a right-of-use asset and a lease liability of € 54.9 million are thereby recognised on the balance sheet. Kinopolis pays an at arm's length rent that is reflected in the right-of-use assets.

Trade and other current receivables include € 1.1 million trade receivables and € 0.6 million other receivables.

No material impairments were recognised on receivables at moment of acquisition and at year-end. Non-current loans and borrowings (€ 25.6 million) concern debts that were paid just before acquisition and that were replaced by internal financing. Trade and other current payables include € 5.2 million in trade payables and € 0.1 million in other payables.

Deferred tax liabilities were recognised on the fair value revaluation of the land and buildings of the owned complexes for € 4.5 million. The revaluations are based on valuation reports carried out by an external party. The deferred tax position is fully offset by the deferred tax asset on other differences (€ 0.3 million) and on goodwill created upon acquisition (€ 4.2 million). The goodwill generated is tax-deductible. This deferred tax asset will be included in the result according to the fiscally accepted amortisations of this goodwill.

The other elements of the net identifiable assets and liabilities have not been adjusted, as they have already been included at fair value.

GOODWILL CALCULATION AND RECONCILIATION WITH THE CONSOLIDATED STATEMENT OF CASH FLOW

IN '000 €	2019
NET IDENTIFIABLE ASSETS AND LIABILITIES	66 064
Cash [1]	116 217
CONSIDERATION	116 217
Net acquired cash [2]	1 828
Repayment of debt [3]	25 589
Hedge accounting linked to the acquisition [4]	1 148
ACQUISITION OF SUBSIDIARIES, NET OF CASH ACQUIRED, IN THE STATEMENT OF CASH FLOW [1] - [2] + [3] - [4]	138 830
GOODWILL	50 125

The cash has been adjusted in the table, with changes in current account and working capital. Kinopolis will always carry out an acquisition without external debts (excl. lease liabilities). Any external debts are repaid just before acquisition, and are replaced by an intra-group loan.

The repayment of these debts in the context of the acquisition of MJR Digital Cinemas for an amount of € 25.6 million is therefore also included in the acquisition of subsidiaries in the statement of cash flow.

11. Property, plant and equipment

IN '000 €	LAND AND BUILDINGS	PLANT, MACHINERY & EQUIPMENT	ASSETS UNDER CONSTRUCTION	TOTAL
Acquisition value	602 993	311 861	2 830	917 684
Depreciations and impairment losses	-275 848	-217 497		-493 344
NET CARRYING AMOUNT AT 31/12/2018	327 145	94 364	2 830	424 339
Transfer to right-of-use assets	-6 702			-6 702
NET CARRYING AMOUNT AT 01/01/2019	320 443	94 364	2 830	417 637
Acquisitions	15 689	38 480	5 813	59 982
Sales and disposals	-7	-235	-176	-418
Acquisitions through business combinations	89 918	14 176		104 094
Transfer to other categories	-421	2 296	-2 253	-378
Depreciations	-20 337	-22 099		-42 436
Effect of exchange rate fluctuations	2 202	1 572	68	3 843
Acquisition value	730 606	394 979	6 284	1 131 868
Depreciations and impairment losses	-323 119	-266 425		-589 544
NET CARRYING AMOUNT AT 31/12/2019	407 487	128 554	6 284	542 324
Acquisitions	17 299	11 354	14 718	43 371
Sales and disposals	-996	-79	-58	-1 133
Transfer to other categories	5 507	-236	-5 384	-113
Depreciations and impairment losses	-25 201	-24 979		-50 180
Effect of exchange rate fluctuations	-10 239	-2 746	-147	-13 132
Acquisition value	738 072	400 074	15 413	1 153 558
Depreciations and impairment losses	-344 215	-288 207		-632 422
NET CARRYING AMOUNT AT 31/12/2020	393 857	111 867	15 413	521 136

ACQUISITIONS

Acquisitions in 2020 include ongoing investments in machinery and equipment in Belgium (€ 2.2 million), France (€ 2.0 million), Canada (€ 3.0 million), Spain (€ 1.0 million) and the Netherlands (€ 2.6 million). These investments mainly took place in the first quarter, as it was decided to halt all investments after the start of the first lockdown as a result of the Covid-19 pandemic. The investments include maintenance investments, the roll-out of the various experience concepts such as ScreenX, Laser ULTRA and the installation of recliner seats. In Spain, the first closure was used to renovate the 'Full' cinema in Barcelona.

In addition, there have been investments in land and buildings and assets under construction in Canada (€ 9.0 million), the Netherlands (€ 17.7 million) and France (€ 3.2 million), mainly related to the new construction projects in South East Edmonton Tamarack (CA), Haarlem (NL), Leidschendam (NL) and Metz Waves (FR). In the United States, it was decided to buy the land of the complex in Southgate (€ 1.1 million) instead of leasing it.

SALES AND DISPOSALS

The sales and disposals within the category Land and Buildings are mainly related to the sale of apartments in the new complex in Haarlem (NL) after completion of the construction works.

12. Investment property

IN '000 €	LAND AND BUILDINGS	PLANT, MACHINERY & EQUIPMENT	TOTAL
Acquisition value	23 138	507	23 645
Depreciations and impairment losses	-6 111	-490	-6 601
NET CARRYING AMOUNT AT 31/12/2018	17 027	17	17 044
Acquisitions	79	6	85
Depreciations	-325	-8	-333
Effect of exchange rate fluctuations	84	1	85
Acquisition value	23 363	519	23 882
Depreciations and impairment losses	-6 498	-503	-7 001
NET CARRYING AMOUNT AT 31/12/2019	16 865	16	16 881
Transfer from assets classified as held for sale	1 686		1 686
Depreciations	-318	-2	-320
Effect of exchange rate fluctuations	-689	-1	-690
Acquisition value	23 847	479	24 326
Depreciations and impairment losses	-6 303	-466	-6 769
NET CARRYING AMOUNT AT 31/12/2020	17 544	13	17 557

As of 18 January 2007 the land, building, machinery and equipment in Poznań (PL) are no longer used for own operations, but leased to Cinema City, owned by the cinema group Cineworld, and to a number of smaller third parties. As required by IAS 40 (Investment property), the assets in question have been transferred to this category. The Group received a bank guarantee on first demand for € 0.3 million from Cinema City. The total carrying amount of the investment property in Poland is € 9.2 million (2019: € 10.1 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.

During 2020 the land in Weyburn (€ 0.1 million) and the complex in Fort McMurray (€ 1.6 million), both situated in Canada, were transferred from Assets classified as held for sale to Investment property as they are held to realise rental income and/or an increase in value.

Rental income from investment property was € 1.0 million (2019: € 1.8 million). The decrease is mainly due to a legal obligation in Poland, related to the consequences of the Covid-19 pandemic, whereby concessions do not have to pay rent during the period of full closure. The direct operating charges (including repairs and maintenance) ensuing from investment property were € 0.4 million (2019: € 0.5 million).

FAIR VALUE

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

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

The fair value of the investment property was € 38.2 million (2019: € 39.0 million). The decrease is the result of exchange rate fluctuations of the Polish Złoty and is partly compensated by the addition of the land in Weyburn and the complex in Fort McMurray.

The fair value of the investment property is recognised as a level 3 fair value based on the unobservable inputs that were used for the measurement. The market approach is used for the measurement of the fair value of the land and buildings. The independent experts base the price per square meter on their knowledge of the market and information on market transactions relating to comparable assets. The size, characteristics, location and layout of the land and buildings and the destination of the area in which they are situated have also been taken into account. When determining the fair value of the buildings, their accessibility and the visibility from the street are also taken into account. The fair value of the other assets that are part of investment property is measured on the basis of the cost approach, in which the current replacement value of the assets is adjusted to account for physical, functional and economic obsolescence.

13. Deferred taxes

The increase in deferred tax assets and corresponding decrease in deferred tax liabilities are due to an increase in the tax losses carried forward, mainly as a consequence of the result before tax due to the Covid-19 pandemic.

TAX LOSSES CARRIED FORWARD AND UNUSED TAX CREDITS

Deferred tax assets on tax losses carried forward are only recognised if future taxable profits will be available to recover these losses, based on budgets and estimates for the next five years. The budgets and estimates are further extended to future expected taxable profits in order to analyse the recoverability of the losses and credits.

No deferred tax asset was recognised in the balance sheet in respect to tax losses carried forward and unused tax credits amounting to € 14.0 million (2019: € 12.6 million) as, based on our budgets and estimates, it seems unlikely that sufficient taxable profits will be available in the foreseeable future to be able to benefit from the tax benefit.

A deferred tax asset has been recognised in the balance sheet on tax losses carried forward and unused tax credits to an amount of € 103.1 million (2019: € 26.4 million). The increase in these losses is mainly attributable to the result before tax as a consequence of the Covid-19 pandemic. Deferred tax assets for tax losses will only be recognised if sufficient future taxable profits are available to enable the losses to be recovered. The Group bases itself on the assumptions used for the annual impairment test. We refer

to note 10 for the relevant assumptions. These assumptions and estimates of the impairment test are further extended to future expected taxable profits in order to further analyse the recoverability of the losses and credits. After an extensive analysis, it is considered probable for these losses that sufficient taxable profit will be available in the future.

Part of the tax losses in 2020 were offset by the profits of 2019, mainly in Belgium and Canada. The so-called 'carry back' system has been applied in Belgium as a result of the Covid-19 pandemic. This in response to the law of 23 June 2020, published on 1 July 2020, regarding the temporary tax exemption of profits pending tax losses realised in the Covid-19 period. This law allows for the early deduction of the losses of the year 2020, as a result of the Covid-19 pandemic, by offsetting them against the profits for 2019. This 'carry back' option already existed in Canada before the Covid-19 pandemic. Through the application of this system, (part of) the loss for the period results in a positive current income tax in the income statement, instead of a deferred tax. The 'carry back' results in a current tax asset on the balance sheet, instead of a deferred tax asset. We refer to notes 8 and 24 for more information

The tax losses carried forward are indefinite in Belgium, France, the Netherlands, Luxembourg and the United States. In Canada, tax losses carried forward can be carried forward for 20 years.

The tax losses carried forward and unused tax credits can be allocated as follows:

IN '000 €	2019			2020		
	TOTAL	LOSSES FOR WHICH A DEFERRED TAX ASSET IS RECOGNISED	LOSSES FOR WHICH NO DEFERRED TAX ASSET IS RECOGNISED	TOTAL	LOSSES FOR WHICH A DEFERRED TAX ASSET IS RECOGNISED	LOSSES FOR WHICH NO DEFERRED TAX ASSET IS RECOGNISED
Belgium	14 319	4 637	9 682	46 293	35 472	10 822
France	2 129	2 129		2 010	2 010	
Canada				25 757	25 757	
The Netherlands	243	243		421	421	
United States	19 428	19 428		39 450	39 450	
Luxembourg	2 923		2 923	2 868		2 868
Poland				308		308
TOTAL	39 042	26 437	12 605	117 106	103 108	13 997

DEFERRED TAX ASSETS AND LIABILITIES

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

IN '000 €	2019			2020		
	ASSETS	LIABILITIES	DIFFERENCE	ASSETS	LIABILITIES	DIFFERENCE
Property, plant and equipment and intangible assets	382	-37 755	-37 373	1 078	-37 021	-35 943
Goodwill	4 090		4 090	2 479		2 479
Right-of-use assets		-98 259	-98 259		-89 945	-89 945
Receivable CNC grants	187		187	216	-11	205
Trade and other receivables	328	-63	265	148	-145	3
Provisions		-156	-156	32	-166	-134
Deferred CNC grants	899	-321	579	783	-268	514
Provisions for employee benefits	257		257	249		249
Derivative financial instruments through equity	50		50	22		22
Tax losses carried forward and unused tax credits	6 749		6 749	26 183		26 183
Lease liabilities	104 040		104 040	97 575		97 575
Trade and other payables	391		391	609	-145	464
TOTAL	117 372	-136 553	-19 181	129 372	-127 700	1 671
Tax offsetting	-116 145	116 145		-114 593	114 593	
NET DEFERRED TAX ASSETS AND LIABILITIES	1 227	-20 408	-19 181	14 778	-13 107	1 671

CHANGES IN DEFERRED TAX BALANCES DURING THE YEAR

IN '000 €	2018	RECOGNISED IN PROFIT AND LOSS	EFFECT OF EXCHANGE RATE FLUCTUATIONS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	ACQUISITIONS THROUGH BUSINESS COMBINATIONS	2019	RECOGNISED IN PROFIT AND LOSS	EFFECT OF EXCHANGE RATE FLUCTUATIONS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	2020
Property, plant and equipment and intangible assets	-25 368	-6 193	-470		-5 342	-37 373	-106	1 536		-35 943
Goodwill			-85		4 175	4 090	-1 359	-252		2 479
Right-of-use assets		-98 259				-98 259	3 319	4 995		-89 945
Receivable CNC grants	-79	265				187	18			205
Trade and other receivables	-231	156	-34		374	265	-257	-5		3
Provisions	3 336	-3 655	164			-156	22			-134
Deferred CNC grants	582	-3				579	-65			514
Provisions for employee benefits	159	-33		130		257	16		-24	249
Derivative financial instruments through equity	63	8		-20		50			-28	22
Tax losses carried forward and unused tax credits	2 459	4 254	36			6 749	20 414	-980		26 183
Lease liabilities		104 040				104 040	-1 111	-5 354		97 575
Trade and other payables	435	-56	11			391	73			464
Investments in subsidiaries	-447	447					-744		744	
TOTAL	-19 090	971	-378	110	-793	-19 181	20 220	-60	692	1 671

The effect of exchange rate fluctuations in 2020 relate to deferred taxes in Canada (€ 0.2 million) and the United States (€ -0.3 million). Due to a negative pre-tax result, the tax effect on the exchange rate results relating to the non-current borrowings in Canadian Dollar and Polish

Złoty from Kinopolis Financial Services NV to Kinopolis Canada LTD and Kinopolis Poznań Sp. z o.o. is recognised as a deferred tax in line with the deferred tax on the loss carried forward. This is included in the 'Investments in subsidiaries' line in the table above.

14. Inventories

IN '000 €	2019	2020
3D glasses	424	431
Goods purchased for resale in cinemas	3 641	1 670
Components inventory, technical department	1 419	1 507
Others	367	257
TOTAL	5 851	3 865

The cost of sales of inventories recognised in the income statement was € 11.0 million (2019: € 35.1 million).

15. Trade and other receivables

OTHER NON-CURRENT RECEIVABLES

IN '000 €	2019	2020
Cash guarantees	1 408	1 074
Grants – CNC	7 231	4 933
Other receivables	372	314
TOTAL	9 011	6 321

The non-current grants relate mainly to the sector-related grants that can be obtained in France from the CNC, based on the number of visitors. During 2020, € 2.7 million

was transferred to other current receivables. We refer to note 4 for more information.

TRADE AND OTHER CURRENT RECEIVABLES

IN '000 €	2019	2020
Trade receivables	42 489	15 119
Tax receivables, other than income taxes	5 309	5 397
Deferred charges and accrued income	28	244
Tax shelter receivables	88	88
Tax shelter investments	304	304
Other receivables	5 167	5 604
TOTAL	53 385	26 756

Trade receivables decreased by € 27.4 million or 64.4%, which is mainly related to the decreased activity due to the Covid-19 pandemic.

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 mainly include grants receivable as a result of Covid-19 for € 4.3 million (2019: € 0.0 million), which include receivables for grants to be

received related to employee benefit expenses, rents and loss of turnover, among other things. Conditions attached to these receivables, were met on the balance sheet date, and the receivables were therefore recognised. In addition, the other current receivables also include the current portion of the French sector-related grants (CNC) for € 1.1 million (2019: € 2.2 million). Throughout 2020, € 2.7 million was transferred from other non-current receivables and € 4.0 million was received. As of 31 December 2019, there was an outstanding receivable related to the acquisition of MJR Digital Cinemas (€ 2.0 million), which was received during 2020.

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

IN '000 €	2019			2020		
	GROSS CARRYING AMOUNT	IMPAIRMENT	NET CARRYING AMOUNT	GROSS CARRYING AMOUNT	IMPAIRMENT	NET CARRYING AMOUNT
Not yet due on reporting date	52 007	-2	52 005	27 533	-4	27 529
Less than 30 days past due	4 861		4 861	3 049	-351	2 698
Between 31 and 120 days past due	3 273	-27	3 246	2 149	-877	1 272
Between 120 days and 1 year past due	2 110	-389	1 721	2 504	-1 607	897
Over 1 year past due	1 661	-1 098	563	2 149	-1 468	681
TOTAL	63 912	-1 516	62 396	37 384	-4 307	33 077

MOVEMENT OF IMPAIRMENT ON TRADE RECEIVABLES

IN '000 €	2019	2020
BALANCE AT END OF PREVIOUS PERIOD	-1 588	-1 516
Recognised impairments	-760	-3 671
Used impairments	169	195
Reversed impairments	668	678
Effect of exchange rate fluctuations	-5	7
BALANCE AT END OF CURRENT PERIOD	-1 516	-4 307

The impairments on the trade receivables increased by € 2.8 million. This increase mainly relates to outstanding receivables from leased concessions as a result of the Covid-19 pandemic.

The value for losses is determined in accordance with IFRS 9. We refer to note 25 for more information.

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

16. Cash and cash equivalents

IN '000 €	2019	2020
Cash at bank and in hand	72 473	33 007
TOTAL	72 473	33 007
Bank overdrafts used for the statement of cash flow	-115	-112
CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOW	72 358	32 895

There are no significant unavailable cash and cash equivalents.

17. Assets classified as held for sale

IN '000 €	2019	2020
BALANCE AT END OF PREVIOUS PERIOD	6 991	1 767
Transfer to investment property		-1 686
Sales and disposals	-4 430	
Effect of exchange rate fluctuations	174	-81
Others	-968	
BALANCE AT END OF CURRENT PERIOD	1 767	0

At the time of the acquisition of Landmark Cinemas at the end of 2017, two complexes were classified as assets held for sale: Fort McMurray and Weyburn. The assets held for sale were transferred to the Investment property category throughout 2020.

The complex in Weyburn was already closed before the end of 2017 for economic reasons, and had been put up for sale on the market. In the meantime, it was decided to demolish the building and to only sell the land. In view of the consequences of the current Covid-19 crisis, the demolition was temporarily postponed, and it is expected that the land will not be sold within a period of 12 months. Management therefore decided to transfer it to the Investment property category.

With regard to the complex in Fort McMurray, the Group has built a new, larger complex in the vicinity of the current complex. The old complex was offered for sale after the opening of the new complex in August 2018. An impairment of € 0.7 million was recorded on this complex during 2019, resulting in a net carrying amount of € 1.7 million, which is in line with the external valuation. Given the current Covid-19 crisis, it is expected that the complex will not be sold within a 12-month period. Management therefore decided to transfer it to the Investment property category.

18. Equity

The various components of equity, as well as the changes between 31 December 2020 and 31 December 2019, are set out in the consolidated statement of changes in equity.

SHARE CAPITAL

The share capital of the Company at 31 December 2020 was € 19.0 million (2019: € 19.0 million), represented by 27 365 197 ordinary shares without nominal value (2019: 27 365 197 shares). All shares are paid up in full. The share premium at 31 December 2020 was € 1.2 million (2019: € 1.2 million). The ordinary shares are entitled to a dividend, and the holders of these shares are entitled to cast one vote at the shareholder meetings of the Company.

TREASURY SHARES RESERVE

The Extraordinary General Meeting of 11 May 2016 authorised the Board of Directors to buy back 410 958 treasury 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 treasury shares through the grant of a discretionary mandate to an agent, either on the stock exchange or outside of it, between 15 January 2018 and 30 September 2018, whereby block trades can be considered as well during open periods. The share buyback program, which started on 15 January 2018, was terminated on Tuesday, 12 June 2018. As part of the discontinued share buyback program, Kinopolis Group has bought back 360 000 shares for a total amount of € 20 302 894.16.

In 2020, 11 495 treasury shares were sold due to exercise of options for € 0.5 million (2019: 0 shares – € 0.0 million). Furthermore, no shares were cancelled in 2020 (2019: 0 shares – € 0.0 million). The total number of treasury shares on 31 December 2020 amounts to 480 851 (2019: 492 346). 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 RESERVE

The translation reserve includes on the one hand all exchange rate differences resulting from the translation of the annual accounts of foreign entities in foreign currencies and on the other hand exchange rate differences of the translation of intra-group non-current borrowings in foreign currencies.

The increase in 2020 is mainly due to the exchange rate fluctuation of both the American and the Canadian Dollar against the Euro.

In addition, some non-current borrowings with Switzerland, Poland, Canada and the United States are considered as a net investment hedge for the participating interest in the same subsidiaries. Consequently, the translation differences on these borrowings were included in equity under the other comprehensive income.

SHARE-BASED PAYMENTS RESERVE

On 31 December 2020 a total of 419 768 options were allocated (2019: 438 000 options). These shares entitle their holders to one share per option. For more information we refer to note 20. The options will expire 8 years after the date of approval of the plan by the General Meeting, which is 11 May 2024.

DIVIDENDS TO THE SHAREHOLDERS

In view of the result and the impact of the Covid-19 virus on the business operations, the Board of Directors will propose to the General Meeting not to distribute a dividend.

NON-CONTROLLING INTERESTS

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

19. Result per share

BASIC RESULT PER SHARE

The calculation of the result per share is based on the result of € -68.9 million, attributable to the ordinary shareholders (2019: € 54.4 million), and on a weighted average of the number of ordinary shares outstanding during the financial year of 26 884 346 (2019: 26 872 851).

DILUTED RESULT PER SHARE

The calculation of the diluted result per share is based on the result of € -68.9 million attributable to the ordinary shareholders (2019: € 54.4 million) and on a weighted average of the number of diluted ordinary shares outstanding during the financial year of 27 158 344 (2019: 27 084 005).

IN '000 (unless indicated otherwise)	2019	2020
RESULT ATTRIBUTABLE TO OWNERS OF THE COMPANY	54 352	-68 879
Weighted average number of ordinary shares	26 873	26 884
Effect of options	211	274
Weighted average number of diluted shares	27 084	27 158
BASIC RESULT PER SHARE (IN €)	2.02	-2.56
DILUTED RESULT PER SHARE (IN €)	2.01	-2.54

20. Share-based payments

SHARE OPTION PLAN

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

It was decided to set the exercise price at the average closing price of the Kinopolis share over 30 days preceding the offer. The options will expire 8 years after the date of the approval of the Plan by the General Meeting.

This new share option plan was offered to the Chairman of the Board of Directors, Executive Management and eligible management staff of the Company or its subsidiaries on 29 December 2016.

As at 28 February 2017, a total of 396 500 options were allocated. On 31 December 2017, a total of 23 500 options were offered to the executive management of Landmark Cinemas. These were granted in full on 5 January 2018. Throughout 2020, no options were granted (2019: 21 000), 11 495 options were exercised (2019: 0) and 6 737 options were forfeited (2019: 0).

The fair value of these share-based payments was estimated when these options were allocated. The Black-Scholes model is used for this.

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

For more information we refer to note 5.

AMOUNTS IN € (unless indicated otherwise)	12/2016 ⁽¹⁾	12/2017	04/2019	10/2019
Fair value of allocated options	7.30 / 9.71	12.91	8.87	9.98
Share price at grant date	44.19 / 48.29	57.30	51.30	57.80
Exercise price	41.55	48.25	49.75	53.40
Expected volatility	23.43% / 23.53%	25.45%	26.41%	24.81%
Original expected term (in years)	8	7	6	5
Expected dividend growth	7.86%	7.86%	8.30%	8.30%
Risk-free interest rate	-0.14%	0.01%	-0.179%	-0.443%

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

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

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

For the options granted in 2018, the first tranche of 20% is acquired at the time of their granting. The other tranches of 20% per year during the four years after their grant date. Concerning the options granted in 2019, the tranches are different between the grants in April and October. The first tranche of 16.66% / 25% is acquired at the time of their granting. The other tranches of 16.66% / 25% per year during five / three years after their grant date.

AMOUNTS IN € (unless indicated otherwise)	2019		2020	
	NUMBER OF OPTIONS	AVERAGE FAIR VALUE	NUMBER OF OPTIONS	AVERAGE FAIR VALUE
OUTSTANDING OPTIONS AT END OF PREVIOUS PERIOD	417 000		438 000	
Options allocated during the year	21 000	9,40		
Options exercised during the year			-11 495	19,09
Options forfeited during the year			-6 737	
OUTSTANDING OPTIONS AT END OF CURRENT PERIOD	438 000	9,34	419 768	9,37

21. Loans and borrowings

This note provides information on the Group's interest-bearing loans and borrowings. For further information on the contractual terms of these loans and borrowings and the Group's exposure to interest and foreign currency risks, we refer to note 25.

NON-CURRENT LOANS AND BORROWINGS

IN '000 €	2019	2020
Public bond	15 878	15 878
Private placement of bonds	446 000	446 000
Loans and borrowings with credit institutions	20 256	10 157
Transaction costs refinancing	-2 621	-2 153
TOTAL	479 513	469 882

CURRENT LOANS AND BORROWINGS

IN '000 €	2019	2020
Roll-over credit		66 500
Loans and borrowings with credit institutions	10 099	10 099
TOTAL	10 099	76 599

Kinepolis Group issued a € 75.0 million bond in March 2012, with maturity in March 2019. The bond was partially extended until June 2023 in June 2015. In March 2019, € 59.1 million was repaid, as of 31 December 2020 the remaining outstanding debt is € 15.9 million.

In January 2015, the Group concluded a private placement of bonds with institutional investors for an amount of € 96.0 million. € 61.4 million was placed with a term of 7 years, € 34.6 million with a term of 10 years, both at a fixed interest rate.

In December 2017, the Group concluded a private placement of bonds with institutional investors for € 125.0 million. € 60.0 million was placed with a term of 8 years and € 65.0 million with a term of 10 years, both at a fixed interest rate.

In July 2019, the Group concluded a private placement of bonds with institutional investors for an amount of € 225.0 million. The full amount was placed with a term of 7.5 years and a fixed interest rate.

A credit agreement for a roll-over credit was concluded in 2012. This credit agreement was revised and extended in December 2019. As of 31 December 2020, there is an

outstanding draw on the roll-over credit of € 66.5 million (2019: € 0.0 million). This credit facility was extended in December 2015, following the Utopolis acquisition, with a 7-year term loan with annual repayments. In 2017, the credit facility was extended once again with a 5-year term loan with annual repayments. On 31 December 2020, € 20.3 million of the term loans were outstanding (2019: € 30.4 million). For more information we refer to note 25.

The transaction costs are recognised in the result over the term of the financing. The amount not taken into the result is deducted from the interest-bearing loans, at the end of 2020 this amounts to € 2.2 million (2019: € 2.6 million).

Throughout 2020, the cinema industry and Kinepolis were badly hit by the Covid-19 pandemic, resulting in cinema closures, capacity restrictions and postponements of Hollywood blockbuster releases. In order to be prepared for possible longer delays before the full resumption of its activities, Kinepolis has taken out an additional loan with its main bankers on 8 January 2021 of € 80.0 million for a period of 3 years, at a variable interest rate and supported by a government guarantee. For more information we refer to note 25 and 31.

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

IN '000 €	NOTE	FINANCIAL LIABILITIES		EQUITY			TOTAL
		LOANS AND BORROWINGS	LEASE LIABILITIES	TREASURY SHARES RESERVE	RETAINED EARNINGS	NON-CONTROLLING INTERESTS	
BALANCE AT 31/12/2019		489 612	416 143	-22 830	210 985	281	1 094 192
Cash flow from financing activities							
Investment contributions	26		3 340				3 340
Payment of lease liabilities incl. forgiveness of lessee's lease payments	26		-9 244				-9 244
Proceeds from loans and borrowings	25	66 500					66 500
Repayment of loans and borrowings	25	-10 099					-10 099
Payment of transaction costs with regard to refinancing obligations	25	-45					-45
Interest paid	7	-14 501					-14 501
Interest received	7				5		5
Paid interest related to lease liabilities	26		-10 248				-10 248
Sale of treasury shares	20			220	258		478
NET CASH FLOW – USED IN / + FROM FINANCING ACTIVITIES		41 855	-16 152	220	263		26 186
Other adjustments							
Interest expenses	7	14 161					14 161
Refinancing cost	25	513					513
Capitalised interest expenses	7	159					159
Movement accrued interest	25	181					181
Movement lease liabilities	26		-6 379				-6 379
Total other adjustments		15 014	-6 379				8 636
Total other equity adjustments					-68 700	-277	-68 977
BALANCE AT 31/12/2020		546 481	393 612	-22 610	142 548	4	1 060 037

22. Provisions

The provisions primarily consist of the restoration of land and a number of disputes.

SITE RESTORATION

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

At 31 December 2020, the provision for the demolition of the building and the reinstatement of the land to its original state was € 1.4 million (2019: € 1.3 million).

DISPUTES

At 31 December 2020, the provision for disputes was € 0.9 million (2019: € 1.5 million). These relate to disputes regarding personnel matters and disputes from third

parties for the purpose of obtaining compensation. When these provisions will be used or taken back depends on the outcome of the related legal disputes, and is therefore uncertain. The estimates and judgements that primarily impact the amount of the provisions are the estimated costs, the expected likelihood and the timing of the cash outflows. They are based on the most recent available information at the balance sheet date.

UNFAVOURABLE LEASES

As of 1 January 2019 the Group applies the new standard IFRS 16: Leases. As a result, as of 1 January 2019, a reclassification of the provisions for unfavourable leases took place. These were previously recognised in Provisions and decreased Right-of-use assets on 1 January 2019 by € 14.2 million.

IN '000 €	2019	2020
BALANCE AT END OF PREVIOUS PERIOD	16 806	2 833
Additions of provisions	497	54
Unwinding of provisions	38	38
Use of provisions	-193	-284
Reversal of provisions	-94	-334
Effect of exchange rate fluctuations	15	-17
Transfer to right-of-use assets	-14 236	
BALANCE AT END OF CURRENT PERIOD	2 833	2 290
Balance at end of current period (non-current)	2 284	2 021
Balance at end of current period (current)	549	269
TOTAL	2 833	2 290

23. Trade and other payables

OTHER NON-CURRENT PAYABLES

IN '000 €	2019	2020
Deferred grants - CNC	6 028	5 396
Other payables	911	960
TOTAL	6 939	6 356

The other non-current payables primarily comprise the grants that can be claimed from the CNC in France based on the number of visitors. These grants of € 5.4 million (2019: € 6.0 million) are recognised as 'Other operating

income' in line with the depreciation of the assets for which these grants were obtained. We refer to note 4 for more information.

TRADE AND OTHER CURRENT PAYABLES

IN '000 €	2019	2020
Trade payables	108 912	56 607
Payables related to remuneration and social security	13 243	14 726
Accrued charges and deferred income	3 362	3 564
Tax payables, other than income taxes	6 614	3 212
Other payables	609	226
TOTAL	132 740	78 335

Trade payables decreased by € 52.3 million, or 48.0%, which is mainly related to the decreased activity due to the Covid-19 pandemic.

The decrease in tax payables, other than income taxes, is mainly explained by a decrease in liabilities related to VAT and city taxes as a result of the reduced activity due to the Covid-19 pandemic.

On 31 December 2020, the accrued interest expenses with respect to the public and private bonds issued and the roll-over credit amounted to € 3.5 million (2019: € 3.2 million for the public and private bonds issued). The deferred income was € 0.1 million (2019: € 0.1 million).

There is an increase in payables with regard to remuneration and social security of € 1.5 million. In Belgium and the Netherlands, among others, companies affected by the consequences of the Covid-19 pandemic were granted a postponement of social security contributions, as a result

of which the total debts relating to remuneration and social security contributions increased. This was partly offset by the support measures received from the various governments with regard to remuneration on the one hand, and the reduced activity on the other, both as a result of the Covid-19 pandemic.

The trade payables also include the current contractual obligation with regard to gift vouchers. This amounts to € 20.7 million on 31 December 2020 (2019: € 27.5 million). The evolution of the balance of the current obligation with regard to the gift vouchers depends on the evolution of the number of visitors and the period in which they can be used. The gift vouchers have an average duration to maturity of less than 12 months in Europe. In the United States, gift vouchers have a duration of five years, and gift vouchers have an unlimited duration in Canada. The expiry dates of gift vouchers have been extended due to the Covid-19 pandemic.

CURRENT CONTRACTUAL OBLIGATION WITH REGARD TO THE GIFT VOUCHERS

IN '000 €	2019	2020
BALANCE AT END OF PREVIOUS PERIOD	22 227	27 475
Acquisitions through business combinations	2 203	
Newly issued gift vouchers	62 397	12 859
Gift vouchers exercised or expired	-59 353	-19 599
BALANCE AT END OF CURRENT PERIOD	27 475	20 735

24. Current taxes

IN '000 €	2019	2020
Current tax assets	1 303	7 431
Current tax liabilities	2 574	306

The current tax assets amount to € 7.4 million (2019: € 1.3 million).

The current tax assets mainly consist of a receivable as a result of the so-called 'carry back' system in Belgium for € 5.9 million. This in response to the law of 23 June 2020, published on 1 July 2020, regarding the temporary tax exemption of profits pending tax losses realised in the Covid-19 period. This law allows for the early deduction of the losses of the year 2020, as a result of the Covid-19 pandemic, by offsetting them against the profits for 2019. There is also a 'carry back' option in Canada, which was already in place before the Covid-19 pandemic, resulting in a receivable of € 0.5 million. Due to the 'carry back' system, a current income tax, instead of a deferred income tax, is

included in the income statement, and a current tax asset instead of a deferred tax asset on the balance sheet. We refer to notes 8 and 13 for more information

In addition, there are current tax assets in the Netherlands (€ 0.5 million), Luxembourg (€ 0.3 million), Belgium (€ 0.1 million) and Spain (€ 0.1 million), partly due to prepayments already made.

Current tax liabilities decreased from € 2.6 million to € 0.3 million, mainly due to a lower result before tax as a consequence of the Covid-19 pandemic. The current tax liability consists of tax payable in Belgium (€ 0.2 million) and France (€ 0.1 million).

25. Risk management and financial instruments

RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments are bank loans, private and public bonds, lease liabilities and cash.

The Group has various other financial instruments, such as trade and other receivables and payables, which arise directly from its operations.

The Group also enters into derivative financial instruments, primarily forward rate contracts, interest rate swaps and foreign exchange forward contracts. 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 allow the use of derivative financial instruments for speculative purposes.

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

INTEREST RATE RISK

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

Group policy is to manage interest rate expenses with a mixture of fixed and variable interest rate liabilities. To manage this mix in a cost-efficient manner, the Group can enter into certain transactions:

- Interest rate swaps and forward rate contracts in which the Group agrees to exchange, at specified intervals, the difference between the fixed and variable interest amounts, calculated by reference to a pre-agreed principal amount;
- Interest rate derivatives with fixed ceilings, hence limiting the impact of interest rate fluctuations.

The Group pursues a conservative financial policy and, since 2008, only uses derivative financial instruments to hedge the interest rate risk. At the balance sheet date, the Group had only interest rate swaps outstanding, on which the Group receives a variable interest rate equal to EURIBOR and pays a fixed interest rate. These swaps are used to cover the variability in the cash flows of the underlying loans. These interest rate swaps are classified as cash flow hedges in accordance with IFRS 9 hedge accounting. Consequently the portion of the profit or loss on the interest rate swap, which can be considered to be an effective hedge, is 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 € 0.1 million increase in equity on 31 December 2020 (2019: € 0.0 million).

On 31 December 2020, taking into account the effect of interest rate swaps, 86.35% of the Group's borrowings had been contracted at a fixed interest rate (2019: 97.45%).

INTEREST RATE RISK SENSITIVITY ANALYSIS

The interest-bearing loans at the balance sheet date were € 548.6 million (2019: € 492.2 million). € 86.8 million or 15.8% of the interest-bearing loans have a variable interest rate, without taking into account the effect of the interest rate swaps (2019: € 30.4 million or 6.2%).

Total interest expenses, excluding interest expenses related to the IFRS 16 lease liabilities, charged to the income statement in 2020, amount to € 14.7 million (2019: € 11.0 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 2020 was € 11.9 million (2019: € 17.8 million).

FOREIGN CURRENCY RISK

The Group has a foreign currency risk on positions that derive from purchases or sales and from outstanding borrowings with group companies in currencies other than the functional currency (Euro) (transactional risk). Group policy is focused to limit the cash impact of exchange rate fluctuations on the result as much as possible. Derivative instruments can be used at any time to hedge this risk.

26.2% of the sales of the group companies are denominated in currencies other than the functional currency, in particular the sales of Landmark Cinemas (Canada) in Canadian Dollar and the sales of MJR Digital Cinemas (United States) in US Dollar. Given the fact that the cash flows from these countries are reinvested in the countries concerned, there are no forward contracts to hedge the foreign currency risk of the operational cash flows from these countries. The purchases of the subsidiaries of the Group mainly concern the purchases of materials by the Group in US and Canadian Dollar. On 31 December 2020, the Group has no outstanding forward exchange contracts (2019: \$ 0.0 million) with the intention of hedging this risk.

Loans between Kinopolis Financial Services NV or Kinopolis Group NV and other group companies are expressed in the currency of the latter. Foreign exchange results regarding the non-current loans in Canadian Dollar, US Dollar, Swiss Franc and Polish Złoty from Kinopolis Financial Services NV to Kinopolis Canada LTD, Kinopolis Schweiz AG and Kinopolis Poznań Sp.z o.o, as well as from Kinopolis Group NV to Kinopolis US Inc are recognised in other comprehensive income, as these loans are considered to be part of the Group's net investment in these foreign entities.

The following foreign exchange rate results were recorded directly in equity, before tax:

IN '000 €	2019	2020
Canadian Dollar	3 303	-3 281
US Dollar	-1 891	-7 063
Polish Złoty	-1 278	-600
Swiss Franc	1 460	54
TOTAL	1 594	-10 890

The Group is also exposed to a foreign currency risk due to the inclusion in the consolidation of foreign companies that do not have the Euro as their functional currency (Canada, United States, Switzerland and Poland). This translation risk is not hedged. Only the US and Canadian Dollar have a material effect.

The tables below state the possible exchange rate changes for the Canadian Dollar, US Dollar, Polish Złoty and Swiss Franc against the Euro, estimated on the basis of theoretical and actual volatility. The actual volatility has been determined based on the evolution of the rate over the past 5 years.

SENSITIVITY ANALYSIS FOR FOREIGN CURRENCY RISK

1 EURO CORRESPONDS TO:	CLOSING RATE 31/12/2020	AVERAGE RATE 2020	THEORETICAL VOLATILITY	POSSIBLE CLOSING RATE 31/12/2020	POSSIBLE AVERAGE RATE 2020
Canadian Dollar	1.5633	1.5300	10%	1.41 - 1.72	1.38 - 1.68
US Dollar	1.2271	1.1422	10%	1.10 - 1.35	1.03 - 1.26
Polish Złoty	4.6148	4.4430	10%	4.15 - 5.08	4.00 - 4.89
Swiss Franc	1.0802	1.0705	10%	0.97 - 1.19	0.96 - 1.18

If, at the balance sheet date, the Canadian Dollar, the US Dollar, the Polish Złoty and the Swiss Franc had strengthened/weakened as indicated above, and all other variables being constant, the result of 2020 would have been

€ 4.7 million lower or € 3.8 million higher, and equity would be € 17.7 million higher or € 14.5 million lower at the end of 2020. Only the Canadian Dollar and the US Dollar have a material impact in the above sensitivity analysis.

1 EURO CORRESPONDS TO:	CLOSING RATE 31/12/2020	AVERAGE RATE 2020	ACTUAL VOLATILITY	POSSIBLE CLOSING RATE 31/12/2020	POSSIBLE AVERAGE RATE 2020
Canadian Dollar	1.5633	1.5300	7.67%	1.44 - 1.68	1.41 - 1.65
US Dollar	1.2271	1.1422	9.38%	1.11 - 1.34	1.04 - 1.25
Polish Złoty	4.6148	4.4430	5.63%	4.35 - 4.87	4.19 - 4.69
Swiss Franc	1.0802	1.0705	6.68%	1.01 - 1.15	1.00 - 1.14

If, at the balance sheet date, the Canadian Dollar, the US Dollar, the Polish Złoty and the Swiss Franc had strengthened/weakened as indicated above, and all other variables being constant, the result of 2020 would have been

€ 3.6 million lower or € 3.1 million higher, and equity would be € 14.7 million higher or € 12.4 million lower at the end of 2020. Only the Canadian Dollar and the US Dollar have a material impact in the above sensitivity analysis.

CREDIT RISK

The credit risk with respect to trade receivables is the risk of financial loss to which the Group is exposed if a customer fails to meet his/her contractual obligations. Credit losses are recognised on the basis of a model based on 'expected credit losses' in line with IFRS 9 – Financial Instruments. The application of this model requires judgement by the Group, taking into account the impact of changes in economic factors on expected credit losses.

In accordance with IFRS 9, the 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.

Both historical and forward-looking information are taken into account.

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

In normal circumstances, the majority of the activities of the Group are cash-based transactions. It is Group policy that all customers who wish to trade on credit terms are subject to a credit verification procedure. In addition, the receivable balance is continuously monitored.

However, as a result of the worldwide outbreak of the Corona virus in 2020, Kinopolis was forced to close all its cinemas as of mid-March. Kinopolis resumed operations in almost all countries at the beginning of the summer. In each country, the operation of the cinemas has been subject to significant, constantly changing capacity restrictions since reopening, as well as other measures to protect the health of staff and visitors. As a result of the increasing spread of the virus once again, additional measures were introduced in all countries, with Kinopolis again forced to close most of its cinemas in the autumn. These forced closures and restrictions also affect the Group's concession holders.

In order to take these current circumstances into account, the Group has placed more weight on forward-looking information, rather than historical information, in determining expected credit losses, and has taken an increased risk of non-payment into account. The Group has only applied this to the trade receivables from concession holders, and not to the cinema related turnover, as this is a cash-based business. As a result, the increase in the provision for expected credit losses amounts to € 2.8 million (2019: € -0.1 million). We refer to note 15 for more information.

With regard to credit risk from the other financial assets of the Group, including cash and cash equivalents, financial assets measured at fair value through other comprehensive income and certain derivative financial instruments, the Group's exposure to credit risk consists of the counterparty default risk, with a maximum exposure equal to the carrying amount of these instruments.

There are no significant concentrations of credit risk within the Group. The Group has no customers that account for more than 10% of revenue.

LIQUIDITY RISK

The Group's goal is to ensure that there is sufficient financing for the long term. The financing need is determined on the basis of the strategic long-term plan. Various credit forms are used to guarantee the continuity and flexibility of the financing, including bonds, credit lines and bank loans. The Group's liquidity is managed through the in-house bank, Kinopolis Financial Services NV.

Kinopolis started 2020 with a substantial reserve of € 197.0 million in cash and cash equivalents and available credit lines. The strategy and nature of the Company, characterised by a maximum variability of costs, a solid real estate position, with a large proportion of cinema real estate being owned, a self-learning organisation and a 'facts-and-figures'-driven corporate culture, have helped Kinopolis to respond quickly and decisively to the current crisis. The Group has taken various measures in recent months to protect its customers, employees and the Company in the light of the Covid-19 pandemic and the measures taken by the authorities.

Kinopolis has made every effort to adjust its costs as much as possible and in the very short term to the impact of the Covid-19 virus on its activities. The measures taken include a drastic scaling back of the number of active employees, thereby drawing on the support measures in each country, both in cinemas and at the support services level in the national and international headquarters. In addition, various measures were taken to limit the 'cash out', such as the decision not to pay a dividend for 2019, negotiations with suppliers and the owners of leased cinemas with a view to obtaining financial compensations as a result of the reduction or closure of the activities, as well as the maximum postponement of all investments, except for the new-build projects already in progress.

In order to be prepared for possible longer delays before the full resumption of its activities, Kinopolis has taken out an additional loan of € 80.0 million with its main bankers for a period of 3 years, with a variable interest rate. On account of its strong balance sheet, the rigorous cost control measures applied, the solid real estate position and the back-up of an 80% state guarantee provided in Belgium by Gigarant, Kinopolis has succeeded in concluding the additional credit at attractive commercial terms.

Kinepolis Group had € 171.0 million in liquidity at the start of 2021, consisting of cash and cash equivalents and available credit lines, including the new € 80.0 million credit concluded at the beginning of January 2021. Strong cost management, supported by the significant real estate position of the Group, ensures that Kinepolis can confidently navigate through the crisis and continue to cope with the negative effects of the Covid-19 pandemic for a considerable period of time. In this context, the banks also extended the suspension of the credit covenants ('covenant holiday') until 30 June 2022. A suspension until 30 June 2021 had already been obtained in 2020. This is further explained in 'Financial instruments'.

Thanks to the measures taken, Kinepolis therefore has sufficient liquidity to deal with this crisis. Kinepolis has pursued a prudent financial policy in recent years. This has resulted in an average term of more than 4,5 years for the outstanding financial liabilities. The first major repayment of its bonds will not take place until the end of January 2022 (€ 61.4 million).

CAPITAL MANAGEMENT

Board of Directors' policy is aimed at maintaining a strong capital position in order to retain the confidence of investors, creditors 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 result divided by equity, excluding non-controlling interests. The Board of Directors also monitors the level of the dividend payable to the shareholders, if circumstances permit.

The Board of Directors seeks a balance between the higher return that is potentially available with a higher level of debt 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 ratios of net financial debt to EBITDAL and net financial debt to equity.

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 to reduce the share capital and to buy back and destroy treasury shares with the aim of improving the ratios, and thereby create shareholder value. After approval by the Extraordinary General Meeting of 20 May 2011, the capital was therefore reduced by € 30.0 million and shares were bought back between 2011 and 2015, for the hedging of options on the one hand, and for cancellation on the other, which has taken place in the meantime. The expansion strategy of Kinepolis Group was started in 2014 and, due to the success of this expansion program, the capital optimisation program was stopped in 2015. The Group continues to strive for a combination of a higher-than-average market return with a lower-than-average risk through the combi-

nation 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.

Kinepolis Group bought 360 000 shares for a total amount of € 20 302 894.16 in 2018. The total number of treasury shares on 31 December 2020 amounts to 480 851 (2019: 492 346). These shares are intended to cover the Group's current stock option plan. In 2020 11 495 treasury shares were sold and no treasury shares were bought back.

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, Kinepolis Group NV signed a € 90.0 million credit agreement with ING Belgium, KBC Bank and BNP Paribas Fortis until 31 March 2017 (roll-over credit). At the end of June 2015, this existing credit facility was renewed with the bank consortium for the full term until the end of June 2020. In May 2016, the term of the existing credit agreement for € 90.0 million was extended by one year, to June 2021. In December 2019, the existing credit agreement for the roll-over credit was revised and extended. Belfius was added to the existing bank consortium, and the roll-over credit was expanded from € 90.0 million to € 120.0 million. Of this, € 30.0 million can be drawn in a currency other than Euro. In addition, the term was extended to December 2024, with a possible additional two-year extension option to December 2026. On 31 December 2020, there is an outstanding draw of € 66.5 million on this credit facility.

In addition, this credit facility was extended in December 2015, following the Utopolis acquisition, with a 7-year term loan with annual repayments. In 2017, the credit facility was extended once again, with a 5-year term loan with annual repayments. On 31 December 2020, € 20.3 million of the term loans were outstanding (2019: € 30.4 million).

On 6 March 2012, the Group issued an unsubordinated bond in Belgium for € 75.0 million. The bonds mature in 7 years, and have a fixed annual gross interest of 4.75%. On 12 May 2015, Kinepolis Group NV announced the launch of an unconditional public exchange offer on all outstanding € 75.0 million fixed interest bonds with a gross interest of 4.75% and a maturity date on 6 March 2019. Holders of the existing bonds had the opportunity to exchange their existing bonds for new bonds to be issued by Kinepolis Group NV with a nominal value of € 1 000, a gross nominal interest of 4.0% per year and a term of 8 years, with maturity date on 9 June 2023 (the 'New Bonds'). Bonds with a total value of € 15.9 million were exchanged. € 59.1 million was repaid on 6 March 2019.

In January 2015, the Group also concluded a private placement of bonds with institutional investors for € 96.0 million: € 61.4 million was placed with a term of 7 years, € 34.6 million with a term of 10 years. A fixed annual gross interest is paid on both bonds. This private placement complies with the Group's financial strategy and serves to support expansion by increasing the diversification of the sources of financing and by refinancing the existing credits.

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

In July 2019, the Group concluded a private placement of bonds with institutional investors for € 225.0 million, with a term of 7.5 years. A fixed annual gross interest is paid on the bond. The private placement was mainly used to finance the various acquisitions in 2019, investments in the renovation of existing complexes and the construction of new complexes.

Throughout 2020, the cinema industry and Kinopolis were badly hit by the Covid-19 pandemic, resulting in cinema closures, capacity restrictions and postponements of Hollywood blockbuster releases. In order to be prepared for possible longer delays before the full resumption of its activities, Kinopolis has taken out an additional loan with its main bankers on 8 January 2021 of € 80.0 million for a period of 3 years, at a variable interest rate. Because of the strong balance sheet, the strong cost control measures, the solid real estate position and the back-up of an 80% state guarantee provided by Gigarant in Belgium, Kinopolis succeeded in concluding the additional credit at attractive commercial terms.

No securities were provided. Only a number of conditions apply with regard to the sale or the guaranty of certain of the Group's assets to a third party. Kinopolis is required to comply with conditions relating to, among others, the maximum debt ratio (covenants) on its bank debt. This relates to the roll-over credit of € 120.0 million (with an outstanding draw of € 66.5 million) and a term loan of € 20.3 million per 31 December 2020. The new credit taken out at the beginning of January 2021 for an amount of € 80.0 million is also covered by these covenants. No covenants

apply to the majority of the other debts. There is only an increase in interest on the private placement of 2019 if a specific debt ratio is exceeded.

The calculation of the covenants as well as the maximum or minimum values were adjusted during the revision of the credit agreement in 2019. The financial covenants consist of a maximum leverage ratio of 3.75, which temporarily increases to 4.25 in the case of a material acquisition, and a minimum interest coverage ratio of 4.5. In addition, there are a number of potentially restrictive commitments that restrict or prohibit certain trading transactions. The definitions of the covenants have been adapted to the standard IFRS 16: Leases. As such, for the determination of the leverage ratio, among other things, the net financial debt is corrected for the lease liabilities on the one hand, and the EBITDA is corrected for the impact of IFRS 16 on the EBITDA on the other.

As a result of the Covid-19 pandemic, Kinopolis has reached an agreement with its financial institutions to allow a suspension of the credit covenants ('covenant holiday') until 30 June 2022. This means that, among other things, the conditions relating to the maximum debt ratio in relation to the EBITDAL, being EBITDA adjusted for rent, will be temporarily suspended until the half-year figures of 30 June 2022. These conditions, which only apply to bank debt, will be replaced by, among other things, a liquidity covenant, which means that the sum of the available cash and confirmed credit lines must be at least € 30.0 million during the term of this 'covenant holiday'. In line with the existing bank credit facilities, the additional credit of € 80.0 million provides for a number of conditions that limit the disposal of assets, acquisitions and the payment of dividends above a financial debt level of 3.75.

The interest payable on term loans is calculated on the basis of the EURIBOR applicable for the selected borrowing period, plus the negotiated margin. The average interest rate of the debt portfolio on 31 December 2020 was 2.62% (2019: 2.70%). As the vast majority of the loans are at a fixed interest rate, no sensitivity analysis was performed for the remaining variable part.

FINANCIAL LIABILITIES – FUTURE CASH FLOWS

The following table gives an overview of the contractual maturities for the non-discounted financial liabilities at 31 December 2020, including the estimated interest payments:

IN '000 €	2020			
	< 1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL
Private placement of bonds	12 256	201 176	299 958	513 390
Public bond	635	17 148		17 783
Trade payables	56 607			56 607
Loans and borrowings with credit institutions ⁽¹⁾	77 454	10 360		87 814
Bank overdrafts	112			112
Non-derivative financial liabilities	147 064	228 684	299 958	675 706
Interest rate swaps		87		87
Derivative financial instruments		87		87
TOTAL	147 064	228 771	299 958	675 793

⁽¹⁾ The roll-over credit, with an outstanding draw of € 66.5 million per 31 December 2020 is presented as current. This does not concern an actual payment obligation as the credit can be redrawn again.

The following table gives an overview of the contractual maturities for the non-discounted financial liabilities at 31 December 2019, including the estimated interest payments:

IN '000 €	2019			
	< 1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL
Private placement of bonds	12 256	107 109	405 156	524 521
Public bond	635	17 783		18 418
Trade payables	108 912			108 912
Loans and borrowings with credit institutions	10 481	20 632		31 113
Bank overdrafts	115			115
Non-derivative financial liabilities	132 399	145 524	405 156	683 079
Interest rate swaps		169		169
Derivative financial instruments		169		169
TOTAL	132 399	145 693	405 156	683 248

In respect of interest-bearing loans and borrowings with a variable interest rate, the following table gives an overview of the expected maturities.

IN '000 €	2019		2020	
	TOTAL	< 1 YEAR	TOTAL	< 1 YEAR
Loans and borrowings with credit institutions	30 355	10 099	86 756	76 599
Bank overdrafts	115		112	
TOTAL	30 470	10 099	86 868	76 599

HEDGING ACTIVITIES

The Group uses derivative financial instruments to hedge the interest rate risk and the foreign currency risk. All derivative financial instruments are measured at fair value.

The following tables give the remaining term of the outstanding derivative financial instruments at balance sheet date. The amounts given in this table are the nominal values.

IN '000 €	2020			
	< 1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL
Interest rate swaps	5 949	5 907		11 856
TOTAL	5 949	5 907		11 856

IN '000 €	2019			
	< 1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL
Interest rate swaps	5 949	11 856		17 805
TOTAL	5 949	11 856		17 805

FAIR VALUE

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

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

IN '000 €	2019		2020	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Private placement of bonds – fixed interest rate	446 000	452 610	446 000	446 000
Public bond – fixed interest rate	15 878	17 037	15 878	15 878
Interest-bearing loans – variable interest rate	30 355	30 355	86 756	86 756
Bank overdrafts	115	115	112	112
Transaction costs refinancing	-2 621	-2 621	-2 153	-2 153
TOTAL	489 727	497 496	546 593	546 593

For 2020 the fair value is in line with the carrying amount given the illiquidity of the market. This was also reflected in the attractive commercial terms of the new loan of € 80.0 million at the beginning of January 2021.

In 2019 the fair value was determined by discounting the future cash flows based on an interest rate of:

- 2.08% for the public bond with fixed interest rate (Level 2);
- 1.96% for the private placement of bonds of 2015 with fixed interest rate (Level 2) for the bond with a term of 7 years, and 2.47% for the part of the bond with a term of 10 years;

- 1.98% for the private placement of bonds of 2017 with fixed interest rate (Level 2) for the bond with a term of 8 years, and 2.63% for the part of the bond with a term of 10 years;
- 2.66% for the private placement of bonds of 2019 with fixed interest rate (Level 2) for the bond with a term of 7.5 years.

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

The following table gives the nominal or contractual amounts and the actual fair value of all outstanding derivative financial instruments (cash flow hedging instruments). The nominal or contractual amounts reflect

the volume of the derivative financial instruments outstanding at the balance sheet date. As such, they represent the Group's risk on these transactions.

IN '000 €	2019		2020	
	NOMINAL VALUE	FAIR VALUE	NOMINAL VALUE	FAIR VALUE
Interest rate swap	17 805	-169	11 856	-87
TOTAL	17 805	-169	11 856	-87

The fair value of financial instruments related to the interest rate is determined by discounting the expected future cash flows, taking into account 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 2020.

The fair value of the derivative instruments is included in the balance sheet of the Group as follows (value before taxes):

IN '000 €	2019			2020		
	ASSETS	LIABILITIES	NET VALUE	ASSETS	LIABILITIES	NET VALUE
Non-current		-169	-169		-87	-87
TOTAL		-169	-169		-87	-87

The change in the fair value of the derivative financial instruments on the balance sheet is as follows:

IN '000 €	NOMINAL VALUE	CARRYING AMOUNT		INCLUDED IN THE FOLLOWING LINE ITEM IN THE STATEMENT OF FINANCIAL POSITION	CHANGES IN THE FAIR VALUE OF THE HEDGING INSTRUMENT INCLUDED IN OTHER COMPREHENSIVE INCOME
		ASSETS	LIABILITIES		
Interest rate swap	11 856		-87	Derivative financial instruments	82

FAIR VALUE – HIERARCHY

The following table provides an overview of financial instruments recognised at fair value by the valuation method. The different levels are defined as follows:

- Level 1: quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: input that does not refer to any quoted market price included in Level 1, and that is observable for the asset or the liability, either directly (i.e. as price) or indirectly (i.e. derived from price).
- Level 3: input for the asset that is, or the liability that is not based on observable market data (unobservable input).

IN '000 €	2018			2019			2020		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Cash flow hedging – Currency									
Interest rate swaps		-211			-169			-87	
TOTAL		-211			-169			-87	

LEVEL 3 FAIR VALUE

Per 31 December 2020 there are no contingent considerations (2019: € 0.0 million).

26. Leases

LEASES AS LESSEE

The Group leases several sites, buildings, cars, equipment for in-theatre sales and projection equipment. If the contracts are classified as leases, they are recognised on the date on which the leased asset is available for use by the Group. On the one hand a right-of-use asset is recognised, which is depreciated on a straight-line basis over the lease term. On the other hand, a lease liability is recognised that consists of future lease payments that are discounted at the Group's average interest rate for external financing.

The discount rate applied throughout 2020 is 2.70% (2019: 2.64%). The discount rate is updated on a yearly basis and will be applied to new leases or for changes to lease agreements which are to be measured at a revised discount rate.

When determining the term of a lease, extension options which will be executed with reasonable certainty at the start of the contract, are included in the lease liabilities. For the key category, land and buildings (cinema complexes), the Group applies as a general principle a term between 15 and 20 years. This term reflects the entity's

reasonable expectation of the period during which the underlying asset will be used.

The Group will only reassess the term of a lease when there has been a significant event or a significant change in circumstances, within the control of the Group. Significant events or changes in circumstances within the control of the Group include but are not limited to significant changes to the contract terms, exercise a renewal option or termination option and significant leasehold improvements.

In the context of the acquisition of the Wolff Bioscopen group in 2014, the lease of the complex in Groningen (NL) was renegotiated for a period of 17 years. The lease obligation at the start of the new contract was determined by discounting the future lease payments of the Group on the basis of the marginal interest rate of the Group, as the implicit interest rate of the lease was not available. This debt amounted to € 6.3 million at 31 December 2020 (2019: € 6.8 million). Since the application of the standard IFRS 16: Leases, the finance lease is also included under Lease liabilities.

RIGHT-OF-USE ASSETS

IN '000 €	LAND AND BUILDINGS	CARS	IN-THEATRE SALES	PROJECTION EQUIPMENT	TOTAL
Acquisition value	288 728	2 610	833		292 171
Transfer from property, plant and equipment (finance lease)	6 702				6 702
NET CARRYING AMOUNT AT 01/01/2019	295 431	2 610	833		298 874
New leases	22 038	2 123	93	3 519	27 774
Expired leases and disposals		-55			-55
Acquisitions through business combinations	72 966				72 966
Adjustments	8 575	10	40		8 625
Depreciations	-22 701	-1 290	-231	-316	-24 539
Effect of exchange rate fluctuations	13 485		56	27	13 568
Acquisition value	415 351	4 674	1 026	3 549	424 599
Depreciations and impairment losses	-25 556	-1 276	-235	-319	-27 387
NET CARRYING AMOUNT AT 31/12/2019	389 795	3 397	790	3 229	397 212
New leases	24 674	910		40	25 624
Expired leases and disposals	-1 203	-77			-1 280
Transfer from other categories				85	85
Adjustments	-12 477	14			-12 463
Depreciations	-24 711	-1 575	-251	-512	-27 050
Effect of exchange rate fluctuations	-19 502		-47	-98	-19 647
Acquisition value	404 582	5 120	958	3 554	414 214
Depreciations and impairment losses	-48 006	-2 451	-466	-810	-51 733
NET CARRYING AMOUNT AT 31/12/2020	356 576	2 669	492	2 744	362 481

LEASE LIABILITIES

IN '000 €	TOTAL
Opening balance at 01/01/2019	308 102
Transfer from loans and borrowings (finance lease)	7 389
NET CARRYING AMOUNT AT 01/01/2019	315 491
New leases	23 230
Interest	9 387
Repayment	-30 304
Adjustments	10 963
Acquisitions through business combinations	72 966
Effect of exchange rate fluctuations	14 411
NET CARRYING AMOUNT AT 31/12/2019	416 143
New leases	27 324
Early terminated leases	-1 290
Interest	10 248
Repayment	-19 492
Forgiveness of lessee's lease payments	-7 540
Adjustments	-10 868
Effect of exchange rate fluctuations	-20 913
NET CARRYING AMOUNT AT 31/12/2020	393 612

At 31 December 2020, the Group has a lease liability of € 393.6 million (2019: € 416.1 million) and a right-of-use asset of € 362.5 million (2019: € 397.2 million). During 2020 the lease liabilities decreased with € 22.5 million and the right-of-use assets with € 34.7 million.

NEW LEASES

The new leases mainly consist out of new leases with regard to complexes to be opened in 2021: Leidschendam in the Netherlands ('Westfield Mall of the Netherlands') (€ 11.3 million), South East Edmonton Tamarack in Canada (€ 5.2 million) and Metz Waves in France (€ 3.7 million). In addition there was a new lease agreement for the existing complex in Belval, Luxembourg (€ 4.0 million) and other buildings (€ 0.5 million).

Furthermore, new leases were concluded for cars (€ 0.9 million) and for in-theatre sales equipment (€ 0.0 million). This has resulted in a total additional lease liability of € 27.3 million and an increase of the right-of-use assets of € 25.6 million. Due to included investment contributions there is a difference of € 1.7 million between the new right-of-use assets and the new lease liabilities.

In addition, the RealD 3D equipment used by the Group is included under the right-of-use assets (€ 2.7 million). As these assets are fully prepaid, there is no outstanding lease liability for these assets.

(EARLY) TERMINATED LEASES

During 2020 some lease agreements have contractually ended. It concerns leases for the complexes of Victoria University Heights in Canada and Belval in Luxembourg. For the complex in Belval, Luxembourg the Group has already entered into a new lease in 2020. The lease for the land of the complex in Southgate in the United States has been terminated early in 2020 as a consequence of the decision to buy instead of lease this land. In addition, some leases related to cars have been terminated early throughout 2020.

ADJUSTMENTS

During 2020 a number of leases were adjusted, mainly due to changes to the contractual term or other adjustment such as indexations or new negotiations for future lease payments. In addition, the Group received investment contributions for contracts already started, which are deducted from the right-of-use assets for € 1.6 million. All this led to an adjustment of the lease liabilities of € -10.9 million and an adjustment of the right-of-use assets of € -12.5 million.

RENT CONCESSIONS AS A RESULT OF THE COVID-19 PANDEMIC

As a result of the Covid-19 pandemic, the Group has obtained rent concessions from the lessor for part of the lease agreements, mainly related to land and buildings. These rent concessions, which are a direct result of the Covid-19 pandemic, include a full or partial forgiveness or deferral of the lease liabilities. These mainly relate to the period of closure of the cinemas. Some rent concessions also include a partial forgiveness or deferral of payment for future periods.

The IASB issued Covid-19-related rent concessions (amendment to IFRS 16) on 28 May 2020. The amendment provides an optional practical expedient that permits lessees not to assess whether rent concessions that occur as a direct consequence of the Covid-19 pandemic and meet specific conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications.

The Group makes use of the optional practical expedient, and applies it retroactively to all rent concessions, that are a direct result of the Covid-19 pandemic, and meet the following conditions:

- the change in the lease payments results in revised consideration for the lease, which is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- the reduction in lease payments relates to payments originally due on or before 30 June 2021;
- no substantive changes have been made to other terms of the lease.

In 2021, the date in the second condition, as mentioned above, will be adjusted to 30 June 2022.

If the rent concessions resulting directly from the Covid-19 pandemic meet the conditions, they are treated as if they were not lease modifications. The rent concessions are

then processed in the same way as a negative variable lease payment, and are therefore included in the income statement within 'Other operating income', as part of 'Operating result'. In 2020 the Group obtained € 7.5 million rent concessions that meet the conditions above.

We refer to note 4.

If the rent concessions do not meet the conditions above, they are treated as if they are lease modifications, with an adjustment of lease liabilities and right-of-use assets as a result. As a consequence, the adjustments include an increase of € 2.2 million of lease liabilities and right-of-use assets. These adjustment include on the one hand the received rent concessions and on the other hand additional substantive changes to the terms of the lease, such as an extension of the contractual term.

IMPACT ON THE CONSOLIDATED RESULT AND THE STATEMENT OF CASH FLOW

Per 31 December 2020 the Group has € 27.1 million (2019: € 24.5 million) depreciations on right-of-use assets and € 10.2 million (2019: 9.4 million) interest on lease liabilities. The Group repaid € 19.5 million lease liabilities in 2020 (2019: € 30.3 million), of which € 10.2 million (2019: € 9.4 million) was interest. Without the rent concessions as a result of Covid-19, the repayment of lease liabilities as of 31 December 2020 would have been € 27.0 million. In the consolidated statement of cash flow this can be found under 'Cash flow from financing activities'.

FINANCIAL LIABILITIES – FUTURE CASH FLOWS

The following table gives an overview of the contractual maturities of the non-discounted lease liabilities at 31 December 2020 and 31 December 2019:

IN '000 €	2019				2020			
	< 1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL	< 1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL
NON-DISCOUNTED LEASE LIABILITIES	33 764	126 221	357 188	517 173	35 948	122 521	326 591	485 059

NOT INCLUDED UNDER IFRS 16

Exemption from recognition

The Group has decided to make use of the option of exemption of recognition under IFRS 16 for short-term leases and leases in which the underlying asset has a low value. The operational lease cost related to the exempt short-term leases amounts to € 0.0 million in 2020 (2019: € 0.3 million).

Leases for which the underlying asset has a low value include cash recyclers. The operational lease cost related to these exempted leases amounts to € 0.1 million in 2020 (2019: € 0.1 million). This is classified in the consolidated statement of cash flow under 'Cash flow from operating activities'.

Variable lease liabilities

In addition, variable lease liabilities are also not recognised under IFRS 16. The total operational lease cost of this amounts to € 0.1 million in 2020 (2019: € 0.9 million). The decrease is the consequence of the Covid-19 pandemic, as variable rent is mainly dependent on realised revenue and the number of visitors. This has led to the same outgoing cash flow that is classified in the consolidated statement of cash flow under 'Cash flow from operating activities'.

The main parameters of variable lease liabilities are the realised revenue and the number of visitors. The Group has performed a sensitivity analysis with possible changes in the variable lease liabilities, estimated on the basis of a theoretical volatility of both revenue and number of visitors to be able to estimate the future impact. Since the number of visitors and revenue were impacted in 2020 as a result of the Covid-19 pandemic, these are not considered as a comparable basis and 2019 is used as the basis for the sensitivity analysis. If the revenue and the number of visitors were to increase by 10% compared to 2019, the total operational lease cost of the variable lease liability would increase to € 1.4 million. If the revenue and the number of

visitors were decreased by 10% compared to 2019, the total operational lease cost of the variable lease liability would decrease to € 0.4 million.

Lease commitments already entered into

As of 31 December 2020 the Group has not entered into any other lease commitments that impact the future outgoing cash flow.

Extension options

If the Group were to exercise all possible extensions options that it has available in the contracts as of 31 December 2020, there would be an additional cash outflow of non-discounted lease liabilities of € 250.8 million over the entire term of the included contracts. As of 31 December 2020, the Group is of the opinion that these additional extension options will not yet be exercised with reasonable certainty, as a result of which they are not included in the ending balance of the lease liabilities and the non-discounted lease liability. If the Group only takes the contractually agreed extension options, the future cash outflow of the non-discounted lease liabilities would decrease from € 485.1 million to € 333.5 million.

LEASES AS LESSOR

The Group has leased out parts of its property under operational leases. The non-discounted lease payments under non-cancellable operational leases are recoverable as follows:

IN '000 €	2019	2020
Less than one year	8 618	8 063
Between one and two years	4 969	4 688
Between two and three years	2 847	2 843
Between three and four years	1 831	2 060
Between four and five years	1 736	1 365
More than five years	4 645	2 379
TOTAL	24 645	21 398
Minimum lease payments in the income statement with regard to operational leases	9 405	8 035
Variable lease payments in the income statement with regard to operational leases	1 067	224

The leases as lessor primarily concern the cinema complex in Poznań (PL), leased to Cinema City since January 2007 for a period of 10 years, extended by 5 years. The rent consists of a fixed and variable portion, of which the variable rent is expressed as a percentage of box office revenue. This variable rent was € 0.0 million in 2020 (2019: € 0.2 million). There is no variable rent applicable in 2020 as a consequence of the Covid-19 pandemic.

The Group also leases out 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.

In addition, the car parks of a number of complexes are leased out for a term 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. Due to the Covid-19 pandemic the variable rent of the car parks has also decreased compared to 2019.

27. Capital commitments

At the end of 2020, the Group had material capital commitments for € 12.1 million (2019: € 13.9 million). This mainly concerns commitments with regard to the construction or finishing of new cinemas for € 10.6 million (2019: € 13.5 million) in Leidschendam (NL), South East Edmonton

Tamarack (CA), and two complexes in the region of Metz (FR). Furthermore, this also relates to the commitments for the installation of recliner seats in St. Catharines (CA) for € 1.3 million (2019: € 0.0 million) and 3D equipment in the cinemas for € 0.2 million (2019: € 0.4 million).

28. Contingencies

KFD

At the end of 2020 the Group had unrecognised contractual obligations for € 2.0 million (2019: € 1.9 million). These are primarily minimum guarantee commitments of Kinepolis

Film Distribution NV towards Dutch Filmworks BV for films that have not yet been released, but for which contractual obligations already exist.

29. Government grants and support measures

Government grants and support measures received as compensation for directly attributable costs are recognised as deductions from the related costs. General grants and support measures received from local governments are included under 'Other operating income'.

GOVERNMENT GRANTS

In France, the Group receives grants from the Centre National du Cinéma et de l'image Animée (CNC) for cinema related investments. These grants come from a fund financed by a contribution from cinema operators in the form of a percentage of ticket sales.

The grants are recorded in the balance sheet as liabilities, and are recognised in the result over the useful life of the related assets. We hereby refer to notes 4 and 23. The grant can be claimed from the CNC in proportion to the number of visitors. We refer to note 15 for the outstanding receivables.

GOVERNMENT GRANTS AND SUPPORT MEASURES AS A RESULT OF THE COVID-19 PANDEMIC

As a result of the outbreak of the Covid-19 virus, the governments, in the various countries where Kinopolis is active, have taken support measures.

DIRECTLY ATTRIBUTABLE GRANTS AND SUPPORT MEASURES

The Group was able to make use of the system of economic unemployment in Belgium and Spain, and of the system of wage subsidies in France, the Netherlands, Luxembourg, Canada, the United States and Switzerland. In the economic unemployment system, the wage cost does not have to be paid by the Company, but is paid directly to the employee by the government. By contrast, the wage cost in the wage subsidy system is first paid by the Company, and can subsequently be reclaimed from the government in whole or in part. We refer to note 5 for more information. In Luxembourg, the Group received an additional allowance towards wage costs when employees remained employed during the Covid-19 pandemic.

The Group obtained a rent subsidy in Canada, with part of the rent paid subsidised by the government.

In addition, Kinopolis obtained a postponement of payment through various support measures for, among other things, VAT, income taxes, local taxes, property taxes, withholding tax and social security contributions. Under certain conditions, the withholding tax, social security contributions or local taxes were (partially) waived by the local governments in the various countries. We refer to note 23 for this.

GENERAL GRANTS AND SUPPORT MEASURES

The general support measures include grants as a result of the forced closure, grants for significant loss of turnover and grants for the cultural sector. In 2020, the Group included € 6.7 million in 'Other operating income'. We refer to note 4 for this.

The general support measures consist of:

IN '000 €		2020
Belgium	Globalisation premium	795
Belgium	Flemish protection mechanism and nuisance premium	294
France	Grant for significant revenue loss	1 734
France	Remission 'taxe spéciale additionnelle' (TSA)	1 276
France	Grant received from CNC	491
Spain	Grant for the cultural sector	333
The Netherlands	Reimbursement fixed costs (TVL) and reimbursement entrepreneurs affected sectors (TOGS)	1 478
Switzerland	Others	276
TOTAL		6 677

30. 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 €	2019	2020
Directors		
Remuneration	935	736
Executive officers (CEO)		
Short-term employee benefits	1 146	718
TOTAL	2 081	1 454

Under the Group's current 2016 stock option plan (Incentive Plan), no new options were granted to the Group's CEO, the Chairman and the Vice-Chairman of the Board of Directors in 2020. They did participate in this in 2017 (180 000 options) (we refer to note 20). We refer to the remuneration report in the Corporate Governance Statement for more information.

TRANSACTIONS WITH OTHER RELATED PARTIES

Kinohold BIS SA provides certain administrative services to the Group, for which it charged € 0.0 million in 2020 (2019: € 0.1 million).

Pentascop NV provides a number of maintenance and transport services to the Group, for which it charged € 0.1 million in 2020 (2019: € 0.2 million).

31. Subsequent events

KINEPOLIS CONCLUDES 3-YEAR CREDIT FOR € 80.0 MILLION AND EXTENDS THE COVENANT HOLIDAY

In order to be prepared for possible longer delays before the full resumption of its activities, Kinopolis has taken out an additional loan of € 80.0 million with its main bankers for a period of 3 years. In this context, the banks also extended the suspension of the credit covenants ('covenant holiday') until 30 June 2022. These covenants – which include a maximum debt level – were replaced by a liquidity covenant following the extended suspension. In line with the existing bank credit facilities, the additional credit provides for a number of conditions that limit the disposal of assets, acquisitions and the payment of dividends above a financial debt level of 3.75. On account of its strong balance sheet, the rigorous cost control measures applied, the solid real estate position and the back-up of an 80% guarantee provided by Gigarant in Belgium, Kinopolis succeeded in concluding the additional credit at attractive commercial terms. For more information we refer to note 25.

KINEPOLIS LEIDSCHENDAM READY FOR OPENING

As soon as the situation permits, Kinopolis plans to open its new cinema in Leidschendam in the Netherlands, as part of the 'Westfield Mall of the Netherlands' project.

This is a project by Unibail-Rodamco-Westfield, in which the Leidsenhage shopping centre was transformed into the largest shopping centre in the Netherlands. The cinema will have 11 screens and Kinopolis expects to receive around 500 000 visitors per year.

KINEPOLIS METZ WAVES READY FOR OPENING

Kinopolis also plans to open a new cinema in the Waves-Actisud commercial centre in Moulins-lès-Metz, France, in the first quarter of 2021. The cinema has 6 screens and around 900 seats. Kinopolis expects to receive around 300 000 visitors per year in this new French complex.

LANDMARK TAMARACK READY FOR OPENING

And in Canada, a brand new Landmark cinema will open at the 'Grove on 17' site in the Tamarack region of south-east Edmonton, Alberta, as soon as the situation permits. All eight auditoriums will be equipped with the Landmark luxury recliner seat concept in a complete stadium lay out. The new cinema will be fully equipped with Cinionic Barco laser projection and will also have a 'MarketPlace' shop, in line with the well-known Kinopolis shop concept.

32. Mandates and remuneration of the statutory auditor

The statutory auditor for the Company is KPMG Bedrijfsrevisoren, represented by Mr. F. Poesen. The mandates and remunerations for the entire Group can be summarised as follows:

IN '000 €	2019	2020
Remuneration of the statutory auditor	310	292
Other audit-related services	86	38
Other assignments outside the audit assignments	10	10
Remuneration for exceptional services or special assignments performed within the Company and its subsidiaries by the statutory auditor	96	48
Remuneration for persons associated with the statutory auditor for the performance of a mandate as statutory auditor	537	522
Other audit-related services	2	
Tax advisory services	23	23
Other assignments outside the audit assignments ⁽¹⁾	9	256
Remuneration for exceptional services and special assignments performed within the Company and its subsidiaries by persons associated with the statutory auditor	34	279
TOTAL	976	1 141

(1) Including a provision of K€ 230 for work not yet completed related to the NOW-audit.

33. Group entities

LIST OF THE FULLY CONSOLIDATED COMPANIES

COUNTRY	NAME	MUNICIPALITY	VAT OR COMPANY REGISTRATION NUMBER	% 2019	% 2020
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
Canada	Kinepolis Canada LTD	Calgary	CA 2020 757 353	100	100
	Landmark Cinemas Holding LTD	Calgary	CA 2020 757 536	99,02	99,02
	Landmark Cinemas Canada LP	Calgary	CA 2017 564 317	99,02	99,02
	Landmark Cinemas Canada GP	Calgary	CA 2017 564 317	100	100
France	Eden Panorama SA	Lomme	FR 02340483221	100	100
	Forvm Kinepolis SA	Nîmes	FR 86421038548	100	100
	Kinepolis Bourgoin SA	Bourgoin-Jallieu	FR 65779487297	100	100
	Kinepolis France SAS	Lomme	FR 20399716083	100	100
	Kinepolis Film Distribution France SAS	Lomme	FR 43789848280	100	100
	Kinepolis Immo St. Julien-lès-Metz SAS	Metz	FR 51398364463	100	100
	Kinepolis Immo Thionville SA	Thionville	FR 10419162672	100	100
	Kinepolis Le Château du Cinéma SAS	Lomme	FR 60387674484	100	100
	Kinepolis Mulhouse SA	Mulhouse	FR 18404141384	100	100
	Kinepolis Nancy SAS	Nancy	FR 00428192819	100	100
	Kinepolis Prospection SAS	Lomme	FR 45428192058	100	100
	Kinepolis St. Julien-lès-Metz SAS	Metz	FR 43398364331	100	100
	Kinepolis Thionville SAS	Thionville	FR 09419251459	100	100
	Utopolis Longwy SAS	Longwy	FR 21432763563	100	100
Luxembourg	Utopolis Belval SA	Luxembourg	LU 220 75 333	100	100
	Majestiek International SA	Luxembourg	LU 19942206638	100	100
	Utopia SA	Luxembourg	LU 160 90 380	100	100

COUNTRY	NAME	MUNICIPALITY	VAT OR COMPANY REGISTRATION NUMBER	% 2019	% 2020
The Netherlands	Kinepolis Immo BV	Utrecht	NL 003182794B01	100	100
	Kinepolis Rotterdam BV	Utrecht	NL 808810261B01	100	100
	Kinepolis Bioscopen Holding BV	Utrecht	NL 822624382B01	100	100
	Kinepolis Enschede BV	Utrecht	NL 808883574B01	100	100
	Kinepolis Groningen BV	Utrecht	NL 816165774B01	100	100
	Kinepolis Huizen BV	Utrecht	NL 820697230B01	100	100
	Kinepolis Exploitatie BV	Utrecht	NL 819683036B01	100	100
	Kinepolis UBOS BV	Utrecht	NL 856681866B01	100	100
	Kinepolis Immo Schagen BV	Utrecht	NL 815246353B01	100	100
	Kinepolis Cinemagnus Schagen BV	Utrecht	NL 815293446B01	100	100
	Kinepolis Immo Hoofddorp BV	Utrecht	NL 821608563B01	100	100
	Kinepolis Cinemeerse Hoofddorp BV	Utrecht	NL 821608666B01	100	100
	City Monumenten Utrecht BV	Utrecht	NL 002611375B01	100	100
	NH Haarlem BV	Utrecht	NL 855813593B01	100	100
	Cineschalkstad BV	Utrecht	NL 855814275B01	100	100
	Utopia Nederland BV	Almere	NL 804687237B03	100	100
	Utrechtse Film Onderneming 'Ufio' BV	Utrecht	NL 003182812B01	100	100
	Kinepolis Immo Spijkenisse BV	Utrecht	NL 810523358B01	100	100
	Kinepolis Spijkenisse BV	Utrecht	NL 800351575B01	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
	Cines Llobregat SL	Madrid	NIF B651 443 70	100	100
	Cines El Punt SA	Madrid	NIF A621 222 21	100	100
	Restauració Al Punt SL	Madrid	NIF B625 860 03	100	-
United States	Kinepolis US Inc	Michigan	EIN 61-1936179	100	100
	MJR Group LLC	Michigan	EIN 38-3367945	100	100
	MJR Sterling Heights LLC	Michigan	EIN 46-3910496	100	100
Switzerland	Kinepolis Schweiz AG	Schaffhausen	CH 2903013216-5	100	100

CHANGES IN THE CONSOLIDATION SCOPE

During the financial year 2020 the company Restauració Al Punt SL was merged with the company Cines El Punt SA.

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 2020

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 2020, as well as other legal and regulatory requirements. Our report is one and indivisible.

We were appointed as statutory auditor by the General Meeting of 8 May 2019, in accordance with the proposal of the board of directors issued on the recommendation of the audit committee and as presented by the workers' council. Our mandate will expire on the date of the General Meeting deliberating on the annual accounts for the year ended 31 December 2021. We have performed the statutory audit of the consolidated financial statements of the Group for 23 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 2020, 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 2020, the consolidated income statement, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flow and the consolidated statement of changes in equity for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to EUR 1.168.180.(000) and the consolidated income statement shows a loss for the year of EUR 69.111.(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 2020 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 and applicable for the current accounting year while these have not been adopted in Belgium yet. Our responsibilities under those standards are further described in the 'Statutory auditors' responsibility for the audit of the consolidated financial statements' section of our report. We have complied with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including the independence requirements.

We have obtained from the board of directors and the Company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER – COVID-19 – GOING CONCERN ASSUMPTION

We draw attention to notes 1 'Significant accounting policies – Going concern principle' and 25 'Risk management and financial instruments – liquidity risk' to the consolidated financial statements which describe the impact of the Covid-19 pandemic on the operations and financial situation of the Group, as well as the measures taken by the Group. Our opinion is not modified in respect of this matter.

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, property, plant and equipment, right-of-use assets and goodwill

We refer to note 10 section 'Non-financial assets and business combinations' of the consolidated financial statements.

Description

As set out in note 10, 'Non-financial assets and business combinations', the Group performed an impairment assessment over intangible assets, property, plant and equipment ('PPE'), right-of-use assets and goodwill. This assessment was performed for each of the smallest groups of assets that generate largely independent cash flows (the cash-generating unit or 'CGU'). The Group has defined a CGU as the country. The Group determined the recoverable value of a CGU as the higher of its value in use ('VIU') which is based on discounted estimated future cash flows and its fair value less costs to sell as determined by an external valuation expert.

Intangible assets, property, plant and equipment ('PPE'), right-of-use assets and goodwill represent 91% of the Group's total assets as of 31 December 2020. Determining the amount of impairment losses to be recorded, if any, 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 evaluated the appropriateness of the accounting treatment used by management based on the relevant accounting standard (IAS 36 Impairment of Assets);
- we challenged management's assessment of potential indicators of impairment of intangible assets, property, plant and equipment ('PPE'), right-of-use assets and goodwill based on our own expectations developed from our knowledge of the Group and our understanding of internal and external factors relevant to the Group, the Group's business and the industry in which the Group operates;
- we challenged management's identification of CGUs with reference to our understanding of the Group's business and the requirements of the prevailing accounting standards;

- where a CGU required testing, we challenged key inputs and data used in the valuation model such as forecasted revenues, operating costs, maintenance capital expenditure, and respective weighted average cost of capital based on our knowledge of the business and the cinema industry. We assessed the Group's historical ability to forecast cash flows, and challenged the reasonableness of current forecasts given the future strategy of the Group and our understanding of the Group's past performance;
- we verified the mathematical accuracy of the discounted cash flow model;
- we performed sensitivity analyses on the respective weighted average cost of capital and the forecasted cash flows used by the Group to assess what change thereto would result in a different conclusion being reached, and assessing whether there were any indications of management bias in the selection of these assumptions; and
- we assessed the appropriateness of the Group's disclosures in respect of impairment of intangible assets, property, plant and equipment ('PPE'), right-of-use assets and goodwill as included in note 10 to the consolidated financial statements.

BOARD OF DIRECTORS' RESPONSIBILITIES FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The board of directors is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

STATUTORY AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these consolidated financial statements.

When performing our audit we comply with the legal, regulatory and professional requirements applicable to audits of the consolidated financial statements in Belgium. The scope of the statutory audit of the consolidated financial statements does not extend to providing assurance on the future viability of the Group nor on the efficiency or effectivity of how the board of directors has conducted or will conduct the business of the Group. Our responsibilities regarding the going concern basis of accounting applied by the board of directors are described below.

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 engagement and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, the board of directors' annual report on the consolidated financial statements, the statement of the non-financial information attached to the board of directors' annual report on the consolidated financial statements and the other information included in the annual report, and to report on these matters.

ASPECTS CONCERNING THE BOARD OF DIRECTORS' ANNUAL REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

Based on specific work performed on the board of directors' annual report on the consolidated financial statements, we are of the opinion that this report is consistent with the consolidated financial statements for the same period and has been prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge gained throughout the audit, whether the board of directors' annual report on the consolidated financial statements and other information included in the annual report:

- Part I – Company Report
- Part III – Financial Report: Key figures and ratios and share information

contain material misstatements, or information that is incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you.

The non-financial information required by article 3:32 §2 of the Companies' and Associations' Code has been included in a separate report attached to the board of directors' annual report on the consolidated financial statements, specifically Part II – Sustainability report of the annual report. This report on the non-financial information contains the information required by article 3:32 §2 of the Companies' and Associations' Code and is consistent with the consolidated financial statements for the same period. The Company has prepared this non-financial information based on ISO26000. In accordance with art 3:80 §1, 1st paragraph, 5° of the Companies' and Associations' Code, we do not comment on whether this non-financial information has been prepared in accordance with 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 3:65 of the Companies' and Associations' Code were correctly stated and disclosed in the notes to the consolidated financial statements.

OTHER ASPECT

This report is consistent with our additional report to the audit committee on the basis of Article 11 of Regulation (EU) No 537/2014.

Antwerp, 1 April 2021

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises
Statutory auditor
represented by

Frederic Poesen
Bedrijfsrevisor / Réviseur d'Entreprises



Condensed financial statements of Kinopolis Group NV

The following information is an extract from the statutory financial statements of Kinopolis Group NV, drawn up in accordance with the Belgian accounting principles. These statutory financial statements, together with the report of the Board of Directors to the General Shareholders Meeting and the auditor's report, will be filed with the National Bank of Belgium within the legal deadline.

It should be noted that only the consolidated financial statements as presented above give a true and fair view of the financial position and performance of Kinopolis Group NV.

As Kinopolis Group NV is essentially a holding company that accounts for its investments at cost in its statutory financial statements, these separate financial statements only give a limited view of the financial position of Kinopolis Group NV. The Board of Directors has therefore

deemed it appropriate to present only a condensed unconsolidated balance sheet and income statement, prepared according to the Belgian accounting principles for the year ended 31 December 2020.

The statutory auditor's report is 'unqualified', and confirms that the statutory financial statements of Kinopolis Group NV, prepared in accordance with Belgian accounting principles for the year ending 31 December 2020, give a true and fair view of the financial position of Kinopolis Group NV in accordance with all legal and regulatory provisions.

The statutory financial statements of Kinopolis Group NV can be obtained free of charge from the website of the National Bank of Belgium (www.nbb.be), in the section 'Central Balance Sheet Office', subsection 'Consult' or can be requested free of charge from Investor Relations.

CONDENSED UNCONSOLIDATED BALANCE SHEET OF KINOPOLIS GROUP NV

IN '000 €	2019	2020
Non-current assets	551 705	547 653
Intangible assets	6 258	5 460
Property, plant and equipment	1 708	1 124
Financial fixed assets	543 739	541 069
Current assets	68 809	34 818
TOTAL ASSETS	620 513	582 470
Equity	137 903	83 510
Issued capital	18 952	18 952
Share premiums	1 154	1 154
Legal reserves	1 895	1 895
Unavailable reserves	22 803	14 817
Available reserves	7 050	7 050
Profit carried forward	86 049	39 641
Provisions and deferred taxes	26	33
Non-current loans and borrowings	461 931	473 022
Current loans and borrowings	9 180	16 655
Accrued charges and deferred income	11 473	9 250
TOTAL EQUITY AND LIABILITIES	620 513	582 470

CONDENSED UNCONSOLIDATED INCOME STATEMENT OF KINEPOLIS GROUP NV

IN '000 €	2019	2020
Operating income	115 703	17 369
Operating expenses	-48 198	-53 696
OPERATING RESULT	67 505	-36 327
Financial result	2 590	-23 609
Current tax expenses	-16 147	5 542
PROFIT / (LOSS) FROM THE FINANCIAL YEAR FOR APPROPRIATION	53 947	-54 394

APPROPRIATION OF THE RESULTS OF KINEPOLIS GROUP NV

IN '000 €	2019	2020
Profit / (loss) from the fiscal year for appropriation	53 947	-54 394
Profit carried forward from previous financial year	34 810	86 049
Transfer to / (from) equity:		
- to the unavailable reserves	2 708	-7 985
Profit to be carried forward	86 049	39 641

MANDATES AND REMUNERATION OF THE STATUTORY AUDITOR OF KINEPOLIS GROUP NV

IN '000 €	2019	2020
Remuneration of the statutory auditor(s) for the performance of a mandate as statutory auditor	186	172
Other audit-related services	82	38
Other assignments outside the audit assignments	10	6
Remuneration for exceptional services or special assignments performed within the Company by the statutory auditor(s)	91	45
Tax advisory services	23	24
Remuneration for exceptional services or special assignments performed within the Company by persons associated with the statutory auditor(s)	23	24
TOTAL	300	240

Reconciliations

ADJUSTMENTS

IN '000 €	2019	2020
EBITDA	-1 808	-304
Depreciations, amortisations and impairment losses	-967	-249
Provisions	-146	128
Financial result		24
Income tax expenses	1 290	-32
NET IMPACT OF ADJUSTMENTS	-1 631	-433

RECONCILIATION OF ADJUSTED RESULT

IN '000 €	2019	2020
Operating result	101 037	-65 663
Financial result	-23 726	-26 052
Result before tax	77 311	-91 715
Income tax expenses	-22 939	22 604
Result for the period	54 372	-69 111
Net impact of adjustments	1 631	433
ADJUSTED RESULT FOR THE PERIOD	56 003	-68 678

RECONCILIATION OF EBITDAL

IN '000 €	2019	2020
EBITDA	172 339	17 188
Costs related to lease contracts (excl. rent abatements and common charges)	-29 982	-31 169
EBITDAL	142 357	-13 981

RECONCILIATION OF ADJUSTED EBITDAL

IN '000 €	2019	2020
EBITDAL	142 357	-13 981
Impact of adjustments on EBITDA	1 808	304
ADJUSTED EBITDAL	144 166	-13 677

RECONCILIATION ADJUSTED EBITDA VS EBITDA

IN '000 €	2019	2020
Operating result	101 037	-65 663
Depreciations and amortisations	70 734	80 442
Provisions and impairments	568	2 409
EBITDA	172 339	17 188
Impact of adjustments on EBITDA	1 808	304
ADJUSTED EBITDA	174 148	17 492

RECONCILIATION OF NET FINANCIAL DEBT

IN '000 €	2019	2020
Financial debt	905 870	940 204
Cash and cash equivalents	-72 473	-33 007
Tax shelter investments	-304	-304
NET FINANCIAL DEBT	833 093	906 892

RECONCILIATION OF NET FINANCIAL DEBT EXCL. LEASE LIABILITIES

IN '000 €	2019	2020
Financial debt excl. lease liabilities	489 727	546 593
Cash and cash equivalents	-72 473	-33 007
Tax shelter investments	-304	-304
NET FINANCIAL DEBT EXCL. LEASE LIABILITIES	416 950	513 281
Impact of lease liabilities	416 143	393 611
NET FINANCIAL DEBT	833 093	906 892

RECONCILIATION FREE CASH FLOW

IN '000 €	2019	2020
Cash flow from operating activities	176 642	-16 166
Income taxes paid	-25 718	-4 074
Maintenance capital expenditures for intangible assets, property, plant and equipment and investment property	-20 956	-5 565
Interest paid / received	-12 882	-14 496
Payment of lease liabilities	-26 917	-16 152
FREE CASH FLOW	90 169	-56 453

RECONCILIATION ROCE

IN '000 €	2019	2020
Operating result	101 037	-65 663
Impact of adjustments on EBIT	2 921	425
Adjusted EBIT	103 958	-65 238
Average non-current assets	853 598	1 123 082
Average deferred tax assets	-1 327	-8 002
Average assets classified as held for sale	4 379	884
Average inventories	5 384	4 858
Average trade receivables	38 515	28 804
Average trade payables	-96 187	-82 760
Capital employed	804 362	1 066 866
RETURN ON CAPITAL EMPLOYED (ROCE)	12.9%	-6.1%

RECONCILIATION ROCE EXCL. IFRS 16

IN '000 €	2019	2020
Operating result + IFRS 16 depreciations – costs related to lease contracts (excl. rent abatements and common charges)	95 279	-69 784
Impact of adjustments on EBIT	2 921	425
Adjusted EBIT excl. IFRS 16	98 200	-69 359
Average non-current assets excl. right-of-use assets	654 992	743 236
Average deferred tax assets excl. impact IFRS 16	-1 594	-7 337
Average assets classified as held for sale	4 379	884
Average inventories	5 384	4 858
Average trade receivables	38 515	28 804
Average trade payables	-96 187	-82 760
Capital employed excl. IFRS 16	605 490	687 684
RETURN ON CAPITAL EMPLOYED (ROCE) EXCL. IFRS 16	16.2%	-10.1%

RECONCILIATION CURRENT RATIO

IN '000 €	2019	2020
Current assets	134 779	71 059
Current liabilities	179 168	190 916
CURRENT RATIO	0.75	0.37

RECONCILIATION CURRENT RATIO EXCL. CURRENT LEASE LIABILITIES

IN '000 €	2019	2020
Current assets	134 779	71 059
Current liabilities excl. current lease liabilities	146 077	155 621
CURRENT RATIO EXCL. CURRENT LEASE LIABILITIES	0.92	0.46

RECONCILIATION CAPITAL EXPENDITURE ACCORDING TO THE STATEMENT OF CASH FLOW

IN '000 €	2019	2020
Acquisition of intangible assets	2 637	1 848
Acquisition of property, plant and equipment and investment property	60 067	43 372
Advance lease payments	3 519	40
Acquisition of subsidiaries, net of cash acquired	173 930	87
Proceeds from sale of investment property, intangible assets and property, plant and equipment	-5 942	-995
TOTAL CAPITAL EXPENDITURE ACCORDING TO THE STATEMENT OF CASH FLOW	234 211	44 352

RECONCILIATION GEARING RATIO

IN '000 €	2019	2020
Net financial debt	833 093	906 892
Equity	211 253	126 496
GEARING RATIO	3.94	7.17

RECONCILIATION GEARING RATIO EXCL. LEASE LIABILITIES

IN '000 €	2019	2020
Net financial debt excl. lease liabilities	416 950	513 281
Equity	211 253	126 496
GEARING RATIO EXCL. LEASE LIABILITIES	1.97	4.06

Glossary and APMs

The glossary below also contains Alternative Performance Measures (APMs) that are aimed to improve the transparency of financial information.

Gross result

Revenue – cost of sales

Operating result (EBIT)

Gross result – marketing and selling expenses – administrative expenses + other operating income – other operating expenses

Adjusted operating result

Operating result after eliminating adjustments; is used to reflect the operating result from normal operating activities

EBITDA

Operating result + depreciations + amortisations + impairments + movements in provisions

EBITDAL

EBITDA less costs related to lease contracts (excl. rent abatements and common charges)

Adjusted EBITDA

EBITDA after eliminating adjustments; is used to reflect the EBITDA from normal operating activities

Adjustments

This category primarily includes results from the disposal of fixed assets, impairment losses on assets, provisions, costs from restructuring and acquisitions and other exceptional income and expenses

Financial result

Financial income – financial expenses

Effective tax rate

Income tax expenses / result before tax

Adjusted result

Result for the period after eliminating adjustments; is used to reflect the result from normal operating activities

Result for the period, share of the Group

Result attributable to equity holders of the Company

Basic result per share

Result for the period, share of the Group / (average number of outstanding shares – average number of treasury shares)

Diluted result per share

Result for the period, share of the Group / (average 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 result of a company to its shareholders

Pay-out ratio

The pay-out ratio indicates which part of the net result is being paid to the shareholders

Capital expenditure

Capitalised investments in intangible assets, property, plant and equipment and investment property

Gross financial debt

Non-current and current financial liabilities

Net financial debt

Financial debt after deduction of cash and cash equivalents and tax shelter investments

Net financial debt excl. lease liabilities

Financial debt excluding lease liabilities after deduction of cash and cash equivalents and tax shelter investments

ROCE (Return on capital employed)

Adjusted EBIT / (average non-current assets – average deferred tax assets + average assets classified as held for sale + average trade receivables + average inventories – 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 2021-2022

<p>THURSDAY</p> <p>29</p> <p>Apr 2021</p> <p>PUBLICATION BUSINESS UPDATE Q1 2021</p>	<p>WEDNESDAY</p> <p>12</p> <p>May 2021</p> <p>GENERAL MEETING KINEPOLIS GROUP NV</p>	<p>THURSDAY</p> <p>19</p> <p>Aug 2021</p> <p>PUBLICATION HALF-YEAR RESULTS 2021 PRESENTATION TO PRESS AND ANALYSTS</p>
<p>THURSDAY</p> <p>28</p> <p>Oct 2021</p> <p>PUBLICATION BUSINESS UPDATE Q3 2021</p>	<p>THURSDAY</p> <p>17</p> <p>Feb 2022</p> <p>PUBLICATION ANNUAL RESULTS 2021 PRESENTATION TO PRESS AND ANALYSTS</p>	

These dates are subject to change.

For adjustments to the financial calendar, please refer to the website:
WWW.KINEPOLIS.COM/CORPORATE

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This Financial Report is available in
Dutch and English.



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