FINANCIAL REPORT

2019

KINEPOLIS GROUP

PART III

FINANCIAL REPORT

2019

KINEPOLIS GROUP

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

PART I
COMPANY REPORT

PART II
SUSTAINABILITY REPORT

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FINANCIAL REPORT

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Part III

Key figures and ratios

KEY FIGURES

Reconciliations, glossary and APMs on pages 116-120

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

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

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

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

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

(1) Including Cinema City Poznań (Poland), operated by Cineworld.
(2) Number of cinemas on publication date.
(3) Excluding Cinema City Poznań (Poland).

DATA PER SHARE [6]	2015	2016	2017	2018	**2019** [4]
Revenue	11.26	11.94	13.05	17.67	20.52
EBITDA	3.31	3.37	3.79	4.35	6.41
Adjusted EBITDA	3.40	3.48	3.83	4.42	6.48
Adjusted EBITDA excl. IFRS 16 [8]	3.40	3.48	3.83	4.42	5.46
Profit	1.20	1.75	1.80	1.76	2.02
Adjusted profit	1.61	1.48	1.64	1.76	2.08
Equity, share of the Group	4.59	5.51	6.48	6.59	7.85
Gross dividend [7]	0.79	0.87	0.91	0.92	
Pay-out ratio	50%	50%	50%	52%	

RATIOS

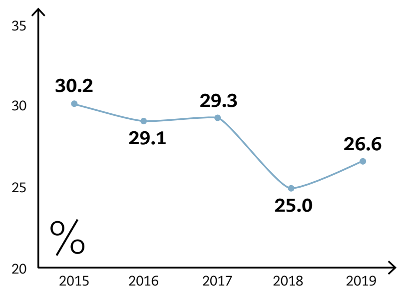
Reconciliations, glossary and APMs on pages 116-120

PROFITABILITY RATIOS	2015	2016	2017	2018	**2019** [4]
EBITDA / Revenue	29.4%	28.2%	29.0%	24.6%	31.3%
Adjusted EBITDA / Revenue	30.2%	29.1%	29.3%	25.0%	31.6%
Adjusted EBITDA excl. IFRS 16 [8] / Revenue	30.2%	29.1%	29.3%	25.0%	26.6%
Gross Profit / Revenue	33.0%	30.8%	31.9%	27.4%	28.6%
Operating profit / Revenue	21.6%	19.5%	20.5%	16.6%	18.3%
Profit / Revenue	10.7%	14.7%	13.8%	10.0%	9.9%

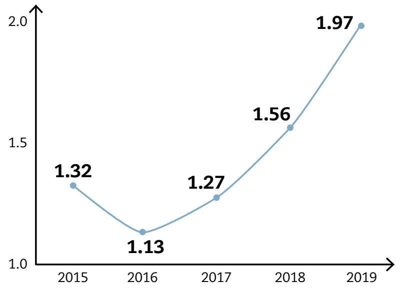
FINANCIAL STRUCTURE RATIOS	2015	2016	2017	2018	**2019** [4] [5]
Net financial debt	162 008	169 751	224 310	276 818	833 093
Net financial debt / EBITDA	1.83	1.85	2.17	2.36	4.83
Net financial debt / Adjusted EBITDA	1.78	1.79	2.15	2.33	4.78
Net financial debt / Equity	1.32	1.13	1.27	1.56	3.94
Equity / Total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

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

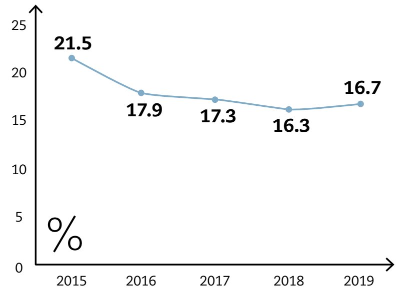
ADJUSTED EBITDA / REVENUE [8]



NET FINANCIAL DEBT / EQUITY [8]



ROCE [8]



(4) The Group applied IFRS 16: Leases as of 1 January 2019. Through the application of IFRS 16, the Group realised an increase in EBITDA of an amount of € 27.3 million and an increase in depreciations and interest costs of € 24.5 million and € 9.4 million, respectively. Consequently, there is a negative impact of € -6.3 million on the net result in 2019. These amounts are all before tax effects. The effect on taxes is € 1.9 million.
(5) As of 31 December 2019, the Group has a lease liability of € 416.1 million and a right-of-use asset of € 397.2 million through the application of IFRS 16.
(6) Calculated based on the weighted average number of shares for the relevant period.
(7) Calculated based on the number of shares eligible for dividend.
(8) Amounts and ratios do not include the impact of the new standard IFRS 16: Leases.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8
7

Share information

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

NUMBER OF SHARES

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

SHARE TRADING

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

Source: Euronext

SHARE PRICE AND VOLUME OVER THE LAST 10 YEARS (3)

(1) Weighted average number of ordinary shares: average number of outstanding shares – average number of treasury shares.
(2) Weighted average number of diluted ordinary shares: average of number of outstanding shares – average number of treasury shares + number of possible new shares that must be issued under the existing share option plans x dilution effect of the share option plans.
(3) As a consequence of the share split on 1 July 2014, the historical share price has been recalculated (price divided by five).

Market information

2019 has been an exceptional year for European cinemas. In Europe the visitor number has increased with 4.1%, compared to last year.
This improvement regards both Western Europe (+5.3%) – with an above-average growth rate – and Central-Eastern Europe and the Mediterranean Rim (+1.8%). If we consider the 28 countries of the European Union, the growth rate is 5.1%.

THE SIX LEADING MARKETS

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

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

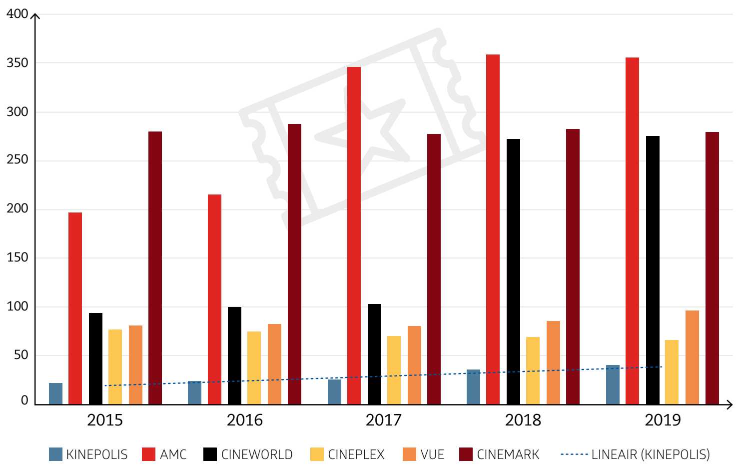
The third European market, the United Kingdom, proves basically stable and, with available estimates pointing to 176 million spectators, would record a 0.6% increase above the extraordinary 2018 result.

WESTERN EUROPE

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

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

CINEMA-GOING KINEPOLIS GROUP VS PEERS



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

CENTRAL-EASTERN EUROPE AND THE MEDITERRANEAN RIM

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

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

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

CINEMA-GOING IN EUROPE

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

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

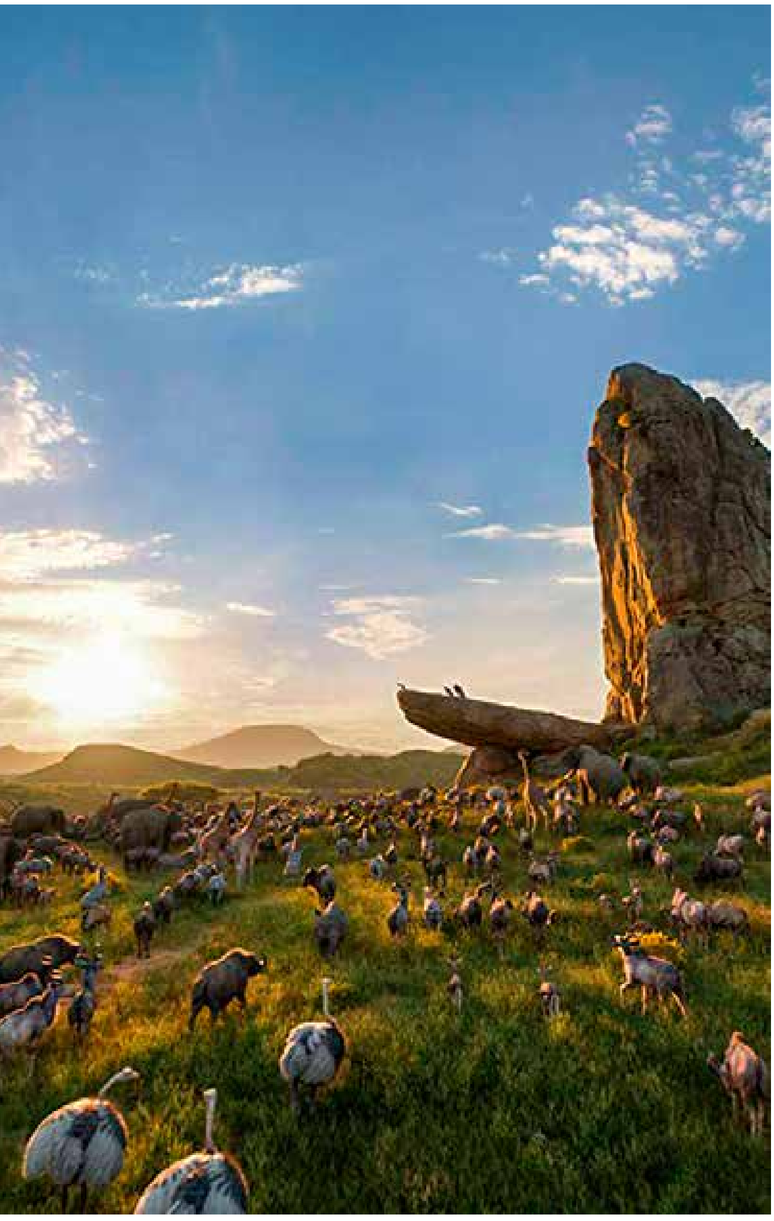
Discussion of the results

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

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

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

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



The Lion King (2019)

VISITORS

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

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

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

REVENUE

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

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

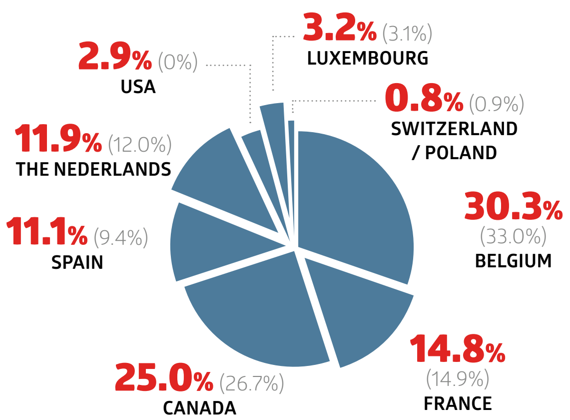
Revenue from B2B increased by 9.7%; Brightfish (the Belgian screen advertising agency) saw its revenue increase by 20.5%. Only revenue from real estate activities and from the Belgian film distribution branch (Kinepolis Film Distribution, KFD) declined, by 1.1% and 30.3% respectively.

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

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

REVENUE IN 2019 (compared to 2018)

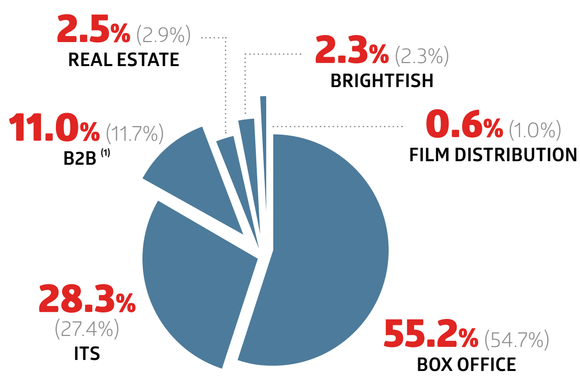
BY COUNTRY



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

REVENUE IN 2019 (compared to 2018)

BY ACTIVITY



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

(1) including screen advertising

The Joker (2019)

Frozen II (2019)

Star Wars: The Rise of Skywalker (2019)

Avengers: Endgame (2019)

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

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

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

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

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

ADJUSTED EBITDA EXCLUDING IFRS 16 IMPACT

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

PROFIT FOR THE FINANCIAL YEAR

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

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

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

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

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

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

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


‘Market Mall’ shop concept in Canada

FREE CASH FLOW AND NET FINANCIAL DEBT

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

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

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

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

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

Acquisition of MJR Digital Cinemas in the United States


4DX theatres in Europe

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

BALANCE SHEET

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

DIVIDEND

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

IMPORTANT EVENTS AFTER THE FISCAL YEAR 2019

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

Kinepolis started the construction of **a new cinema complex in the Schalkwijk Centre in Haarlem, the Netherlands**, in mid-October 2019. The cinema complex will have 6 screens and 934 seats, and all screens will have laser projection technology. Kinepolis expects to receive 330 000 visitors per year in Haarlem. The opening of the new cinema fits in with the redevelopment of the Schalkwijk Centre. The project for the new cinema in Haarlem was acquired by Kinepolis as part of the takeover of the NH cinemas in January 2018. The cinema is scheduled to open in the fourth quarter of 2020.

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

Sketch


Kinepolis in the Schalkwijk Centre in Haarlem (NL)


Luxury 'recliner' seat concept in Canada


Landmark Market Mall


270-degree film experience in a ScreenX theatre

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

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

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

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

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

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

Corporate Governance Statement

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

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

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

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

SHARE CAPITAL

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

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

RIGHTS TO NOMINATE CANDIDATES TO THE BOARD OF DIRECTORS

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

SHAREHOLDER AGREEMENTS

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

CHANGE OF CONTROL

The Credit Agreement concluded on 15 February 2012 between Kinepolis Group NV and some of its subsidiaries on the one hand, and BNP Paribas Fortis Bank NV, KBC Bank NV and ING Belgium NV on the other, and as amended and renewed several times, lastly on 16 December 2019 with the addition of Belfius Bank, provides that a participating financial institution can terminate its participation in the relevant agreement, whereby its relevant part of the loan becomes immediately due and payable, if natural or legal persons other than Kinohold Bis SA (or its legal successors) and Mr. Joost Bert, acquire control (as defined in the Credit Agreement) of Kinepolis 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 Kinepolis Group NV to repay all or a part of his/her bonds under the conditions set forth in the Prospectus. This Prospectus can be consulted on the Investor Relations website of Kinepolis.

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 Kinepolis Group NV to repay all or a part of his/her bonds under the conditions set out in the Prospectus. This Prospectus can also be consulted on the Investor Relations website of Kinepolis Group.

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

SHAREHOLDER STRUCTURE AND RECEIVED NOTIFICATIONS

Based on the notifications received within the framework of Article 74 of the Public Acquisition Bids Act of 1 April 2007 from Kinepolis 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 Kinepolis Group NV, from subsequent transparency statements (within the framework of the Act of 2 May 2007 and the Royal Decree of 14 February 2008 regarding the disclosure of major holdings) and from announcements within the framework of the share buyback programme, as of 31 December 2019:

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

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

SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2019

SHAREHOLDER	NUMBER OF SHARES	%
Kinohold BIS	12 700 050	46.41
Mr Joost Bert	492 218	1.80
Kinepolis Group NV	492 346	1.80
Free Float, of which:	13 680 583	49.99
- Axa SA	1 376 397	5.03
- BNP Paribas Asset Management SA	1 368 974	5.00
- BlackRock Inc.	1 115 517	4.08
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 in the BCAC.

BOARD OF DIRECTORS AND SPECIAL COMMITTEES

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

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

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

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

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

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

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

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

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

(1) Representing the reference shareholders

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

COMPOSITION OF THE BOARD OF DIRECTORS

NAME	POSITION	TERM ENDS	OTHER POSITIONS AT LISTED COMPANIES	ATTENDANCE OF MEETINGS (9)
Mr Joost Bert, permanent representative of NV Pentascoop [1]	Chairman	2020	/	All meetings
Mr Philip Ghekiere [1]	Vice Chairman	2020	/	8 meetings
Mr Eddy Duquenne [2]	Managing Director / CEO	2020	/	All meetings
Ms Sonja Rottiers, permanent representative of BV SDL Advice	Independent director	2020	/	7 meetings
Ms Marleen Vaesen, permanent representative of BV Mavac	Independent director	2020	Van de Velde NV: CEO	8 meetings
Mr Ignace Van Doorselaere, permanent representative of BV 4F	Independent director	2021	/	8 meetings
Ms Marion Debruyne, permanent representative of bvba Marion Debruyne	Independent director	2021	Ackermans & Van Haaren NV: Director	8 meetings
Geert Vanderstappen, permanent representative of BV Pallanza Invest	Director	2022	Smartphoto group NV: Director	All meetings

Mandate ended in 2019:

Ms Annelies van Zutphen, permanent representative of Van Zutphen Consulting BV	Independent director	2019	/	2 meetings
Mr Rafaël Decaluwé, permanent representative of Gobes Comm. V.	Director	2019	Jensen Group NV: Chairman	1 meeting

(1) Representing the reference shareholders
(2) Executive director

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

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

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

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

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

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

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

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

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

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

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

The following topics were primarily discussed during these meetings:

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

COMPOSITION AND ACTIVITY REPORT OF THE AUDIT COMMITTEE
In accordance with the applicable rules in this respect, the Audit Committee is composed exclusively of non-executive directors, the majority of whom are also independent. The Audit Committee as a whole has the necessary expertise with regard to finance and audits, and is composed as follows:

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

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

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

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

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

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

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

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

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

DIVERSITY

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

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

EXECUTIVE MANAGEMENT

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

INSIDER TRADING POLICY – CODE OF CONDUCT – TRANSACTIONS WITH AFFILIATES

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

A Code of Conduct has also been in force since 2013, containing the appropriate guidelines, values and standards with regard to the ethical and fitting way 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 at all times by all employees of the company.

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

REMUNERATION REPORT

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

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

Principles

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

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

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

The following principles are also applied:

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

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

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

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

The Board of Directors determines the remuneration as well as the remuneration policy of the **Executive Management** based on the proposal of the Nomination and Remuneration Committee, with due consideration of the relevant contractual stipulations and benchmark data from other comparable listed companies, in order to ensure that these remunerations are in line with market practices, bearing in mind the duties, responsibilities and management objectives. For example, the fixed remuneration for the CEO (excluding the remuneration as a member of the Board of Directors) was set at € 725 242 and the maximum variable remuneration at € 485 000.The management objectives to which the variable remuneration is linked are proposed annually by the Nomination and Remuneration Committee and are approved by the Board of Directors. The Board of Directors annually evaluates the attainment of these quantitative and qualitative objectives on the basis of an analysis by the Nomination and Remuneration Committee.

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

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

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

REMUNERATION OF THE BOARD OF DIRECTORS

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

(1) Director to 08 May 2019

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

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

APPLICATION OF THE REMUNERATION POLICY TO THE EXECUTIVE MANAGEMENT

Setting the objectives for 2019

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

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

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

Evaluation of the 2018 objectives

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

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

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

EDDY DUQUENNE BV	
Fixed remuneration [1]	€ 725 242
Variable remuneration [2]	€ 412 250
Reimbursement of expenses	€ 9 000
TOTAL	**€ 1 146 492**

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

LONG-TERM INCENTIVES

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

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

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

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

FISCAL YEARS 2020-2021

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

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

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

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

ROLES AND RESPONSIBILITIES

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

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

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

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

APPLICATION OF THE VARIOUS COMPONENTS

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

INTERNAL CONTROL ENVIRONMENT

An appropriate internal environment is a precondition of being able to effectively apply other risk-management components. With this in mind, Kinepolis Group places a high importance on the values of integrity and ethical action. In addition to the existing legal framework, Kinepolis 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. Kinepolis has a clear and uniform organisational structure, which matches the various countries and business processes. The organisational structure, the determination of the various objectives, management of the budget and the remuneration process are also aligned to each other.

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

SETTING OF OBJECTIVES

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

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

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

INTERNAL CONTROL

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

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

The Board of Directors and Management of Kinepolis 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 Kinepolis Group for business operations in general, and risk management in particular in order to ensure that the information required for those operations, including risk management, is made available to the appropriate persons in a timely and proper way. The information in question is retrieved from data warehouse systems that are set up and maintained in such a way as to meet the reporting and communication requirements.

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

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

DESCRIPTION OF THE MAIN BUSINESS RISKS

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

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

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

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

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

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

RISKS ASSOCIATED WITH GROWTH OPPORTUNITIES

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

POLITICAL, REGULATORY AND COMPETITIVE RISKS

Kinepolis Group strives to operate within the legal framework at all times. 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 positions 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 the prior approval of the Competition Council for acquisitions of cinema complexes in Belgium.

TECHNOLOGICAL RISKS

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

PERSONNEL RISKS

As a service company, 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. 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 improves its policies where necessary. Furthermore, Kinepolis also attaches great importance to the health of its employees and endeavours to create a risk-free work environment that does no harm to anyone. To this end, and in addition to compliance with the legal obligations with regard to safety and prevention, it has taken a number of further measures, such as the organisation of preventive examinations by the company doctor, the organisation of evacuation exercises, prevention training, etc.

CUSTOMER RISKS

Customer experience is key at 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), up to the prevention of feelings of insecurity through an adapted surveillance policy. In addition, in line with its best marketeer strategy, Kinepolis also respects the privacy and data integrity of its customers. To this end, it has appointed a 'data protection officer' (DPO), and implemented a number of legal and security measures to protect customer data, and has organised GDPR training for staff, while the DPO carries out the necessary audits to ensure that the privacy policy of the company remains up-to-date at all times, and the status of the company's GDPR maturity is discussed in internal committees as well as in the audit committee.

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

RISKS RELATED TO EXCEPTIONAL EVENTS

Events of an exceptional nature, including but not limited to extreme weather, political unrest, terrorist attacks, pandemics etc., in one of the countries where Kinepolis 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. Kinepolis strives to minimise the potential impact of such risks through a combination of preventive measures (such as constructional decisions, evacuation planning) and detective measures (such as fire detection systems), and by taking out proper insurance, if available.

ENVIRONMENTAL LIABILITY AND PROPERTY RISKS

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

OTHER RISKS

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

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

USE OF FINANCIAL INSTRUMENTS

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

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

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

Other information

RESEARCH AND DEVELOPMENT

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

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

POLICY WITH REGARD TO CONFLICTS OF INTERESTS

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

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

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

PROFIT APPROPRIATION AND DIVIDEND PAYMENT

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

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

Statement with regard to the information incorporated in the annual report

The undersigned certifies that, to his knowledge:

- The financial statements, which have been prepared in accordance with the applicable standards, give a true and fair view of the equity, financial position and performance of the Company and the entities included in the consolidation as a whole;

- The report of the Board of Directors gives a fair view of the development and performance of the business and the position of the company and the entities included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

24 March 2020

Eddy Duquenne
CEO of Kinepolis Group


KINEPOLIS
JARDINPAL

Financial Report

Consolidated income statement (1)

at 31 December

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

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

Consolidated statement of profit or loss and other comprehensive income [1]

at 31 December

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

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

THE NOTES ON P. 42-109 ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

Consolidated statement of financial position[1]

at 31 December

ASSETS

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

EQUITY AND LIABILITIES

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

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

Consolidated cash flow statement[1]

at 31 December

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

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

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

Consolidated statement of changes in equity (5)

at 31 December

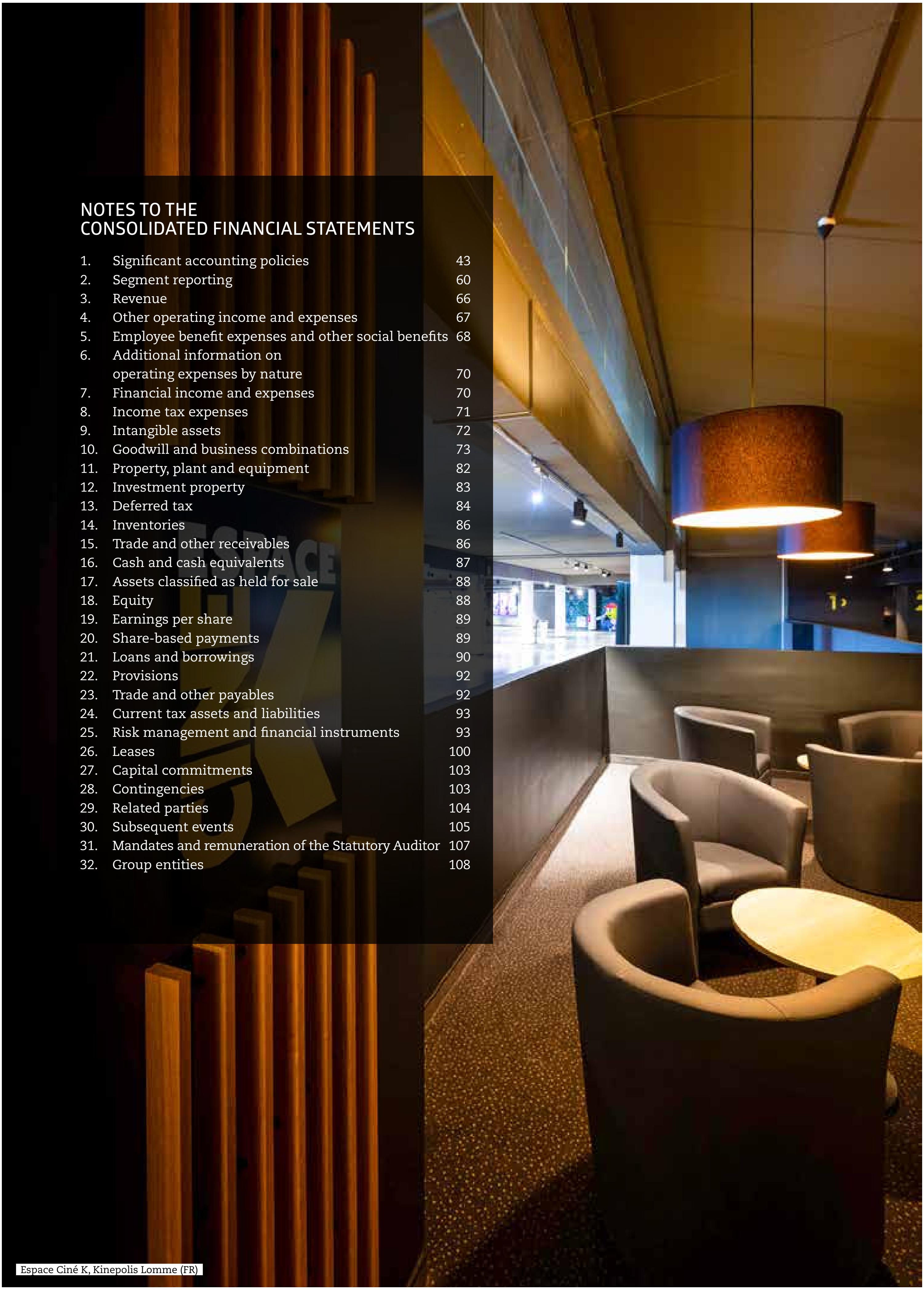
IN '000 €	2019							
	ATTRIBUTABLE TO OWNERS OF THE COMPANY						NON-CONTROLLING INTERESTS	EQUITY
	SHARE CAPITAL AND SHARE PREMIUM	TRANSLATION RESERVE	HEDGING RESERVE	TRESURY SHARES RESERVE	SHARE-BASED PAYMENTS RESERVE	RETAINED EARNINGS		
AT 31 DECEMBER 2018	**20 106**	**-4 164**	**54**	**-22 830**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

(1) For more information, we refer to note 18.
(2) For more information, we refer to note 13.
(3) For more information, we refer to note 5.
(4) For more information, we refer to note 20.
(5) The Group applied IFRS 16 for the first time on 1 January 2019, based on the modified retrospective approach. In accordance with this approach, the comparative figures are not restated.

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

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

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



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies

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

STATEMENT OF COMPLIANCE

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

BASIS OF PREPARATION

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

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

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

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

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

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

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

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

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

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

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

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

PROVISIONS

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

RECOVERABILITY OF DEFERRED TAX ASSETS

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

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

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

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

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

BASIS OF CONSOLIDATION

BUSINESS COMBINATIONS

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

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

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

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

SUBSIDIARIES

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

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

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

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

EQUITY ACCOUNTED INVESTEES

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

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

ACQUISITION OF NON-CONTROLLING INTERESTS

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

TRANSACTIONS ELIMINATED ON CONSOLIDATION

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

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

FOREIGN CURRENCY

TRANSACTIONS IN FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the relevant functional currency of the Group entities at the exchange rate on the transaction date. Monetary assets and liabilities expressed on the balance sheet date in foreign currencies are translated to Euro at the exchange rate on the balance sheet date. Non-monetary assets and liabilities expressed in foreign currency are translated at the exchange rate on the transaction date.
Non-monetary assets and liabilities in foreign currencies measured at fair value are translated to Euro at the exchange rates on the date on which the fair value was determined. Exchange rate differences that arise in the translation are immediately recognised in the income statement, with the exception of:

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

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

FINANCIAL STATEMENTS IN FOREIGN CURRENCIES

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

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

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

FINANCIAL INSTRUMENTS

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

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

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

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

NON-DERIVATIVE FINANCIAL INSTRUMENTS

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

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

Financial assets measured at amortised cost

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

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

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

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

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

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

Financial assets measured at fair value through other comprehensive income

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

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

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

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

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

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

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

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

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

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

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

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

Expected credit losses
Impairment losses on financial assets are determined as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

OWNED ASSETS

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

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

SUBSEQUENT EXPENDITURE

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

DEPRECIATIONS

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

The estimated useful lives are as follows:

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

LEASES

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

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

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

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

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

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

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

RIGHT-OF-USE ASSETS
Right-of-use assets are measured at the cost that includes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INVESTMENT PROPERTY

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

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

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

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

INTANGIBLE ASSETS AND GOODWILL

GOODWILL

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

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

INTANGIBLE ASSETS

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

INTERNALLY GENERATED INTANGIBLE ASSETS

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

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

SUBSEQUENT EXPENDITURE

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

AMORTISATION

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

INVENTORIES

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

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

IMPAIRMENT LOSSES

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

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

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

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

ASSETS CLASSIFIED AS HELD FOR SALE

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

EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

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

POST EMPLOYMENT BENEFITS

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

DEFINED CONTRIBUTION PLANS

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

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

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

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

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

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

SHARE-BASED PAYMENTS AND RELATED BENEFITS

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

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

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

TERMINATION BENEFITS

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

PROVISIONS

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

RESTRUCTURING

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

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

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

REVENUE

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

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

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

- Box office is the result of the sale of cinema tickets (and 3D glasses). Box office sales are recognised as revenue on the date of the showing of the film they relate to;
- In-theatre sales (ITS) include all revenue from the sale of beverage, snacks and merchandising in the complexes. In-theatre sales are recognised as revenue at the checkout;
- Revenue from the advance sale of tickets or other prepaid gift vouchers are recognised in current liabilities, and are recognised as revenue when the ticket holder uses the ticket.
- Gift vouchers that have not been exercised ('breakage fees') are recognised as revenue, taking into account the expected non-redemption, and no later than the expiry date of the gift vouchers;
- Revenue from exchange deals is recognised as revenue at the moment the service has been delivered;
- Events (business-to-business) are recognised as revenue when the event takes place. If the event takes place over a longer period of time, the revenue is recognised in the income statement on a straight-line basis over the duration of the event;
- Turnover resulting from screen advertising is recognised as revenue spread over the period (number of film days per month) in which the advertisement is shown;
- Turnover from promotions (business-to-customer) is is recognised as revenue when the promotion takes place;
- The theatrical revenue from film distribution is recognised over the term of the film based on the number of visitors. The revenue from after theatrical rights are recognised in the first period on the basis of usage, and in the following period on the basis of a fixed price that is recognised as one-off revenue when the rights are transferred. Whereas the Group does not act as an agent for revenue from theatrical and after theatrical rights, this revenue is not offset by the related costs.

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

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

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

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

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

Foreign exchange gains and losses are offset per currency.

EXPENSES

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

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

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

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

Interest charges are recognised based on the effective interest method.

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

Foreign exchange gains and losses are compensated per currency.

INCOME TAX EXPENSE

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

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

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

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

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

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

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

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

SEGMENT REPORTING

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

DISCONTINUED OPERATIONS

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

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

NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

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

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

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

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

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

Key changes include:

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

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

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

The amendments are summarized as follows:

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

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

IMPACT OF NEW STANDARDS

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

IFRS 16 LEASES

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

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

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

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

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

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

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

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

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

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

Impact on the opening balance as at 1 January 2019
The Group has chosen to apply the modified retrospective approach with optional practical expedients on the transition date, with the right-of-use assets equal to the lease liabilities on the transition date.

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

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

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

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

OPENING BALANCE AS AT 01/01/2019

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

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

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

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

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

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

IFRIC 23 UNCERTAINTY OVER INCOME TAX TREATMENTS
The Group applied IFRIC 23 Uncertainty over income tax treatments for the first time on 1 January 2019.

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

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

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

2. Segment reporting

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

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

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

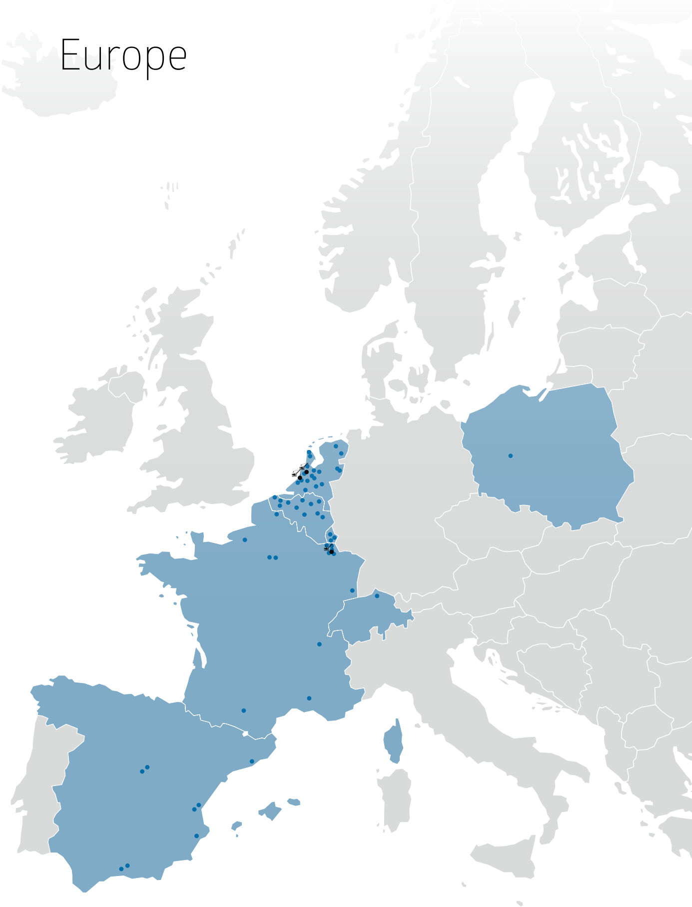
The capital expenditures of a segment are all costs incurred during the reporting period to acquire assets that are expected to remain in use in the segment for longer than one reporting period.

GEOGRAPHIC SEGMENTS

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

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

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



Segment reporting

at 31 December 2019

INCOME STATEMENT

IN '000 €										2019
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	USA	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NOT ALLOCATED	TOTAL
Segment revenue	209 382	81 754	137 712	61 369	65 738	15 728	17 550	4 682		593 915
Intersegment revenue	-42 360	-39						-34		-42 433
Revenue	167 022	81 715	137 712	61 369	65 738	15 728	17 550	4 648		551 482
Cost of sales	-106 890	-57 047	-112 821	-43 988	-46 319	-12 777	-11 337	-2 707		-393 886
Gross profit	**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 profit	**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
Profit before tax										**77 311**
Income tax expense									-22 939	-22 939
PROFIT OF THE PERIOD										**54 372**

BALANCE SHEET – ASSETS

IN '000 €										2019
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	USA	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NOT ALLOCATED	TOTAL
Intangible assets	6 386	717	2 852	329	176	2 499	28			12 987
Goodwill	6 586	11 317	34 053	22 015	33 970	49 087	5 844	6 502		169 374
Property, plant and equipment	73 469	85 201	93 026	56 158	127 626	86 912	12 787	7 145		542 324
Right-of-use assets	9 874	22 882	234 870	58 835	15 007	53 963	1 781			397 212
Investment property				6 721				10 160		16 881
Deferred tax assets									1 227	1 227
Other receivables	2	7 261	572	873	-20	312	11			9 011
Other financial assets									27	27
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	USA	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NOT ALLOCATED	**TOTAL**
Share capital and share premium									20 106	20 106
Consolidated reserves									191 448	191 448
Translation reserve									-582	-582
Total equity attributable to the owners of the Company									210 972	210 972
Non-controlling interests									281	281
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	USA	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	USA	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NOT ALLOCATED	**TOTAL**
Depreciation, amortisation, provisions and impairments	13 980	10 182	23 781	8 357	10 017	2 368	2 135	481		71 301
Others	722									722
TOTAL	**14 702**	**10 182**	**23 781**	**8 357**	**10 017**	**2 368**	**2 135**	**481**		**72 023**

Segment reporting

at 31 December 2018

INCOME STATEMENT

IN '000 €	2018								
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NOT ALLOCATED	TOTAL
Segment revenue	188 238	71 106	127 030	44 759	57 221	14 901	4 468		507 723
Intersegment revenue	-31 644	-93		-69			-37		-31 843
Revenue	156 594	71 013	127 030	44 690	57 221	14 901	4 431		475 880
Cost of sales	-101 936	-49 322	-107 364	-32 054	-42 013	-10 490	-2 471		-345 650
Gross profit	**54 658**	**21 691**	**19 666**	**12 636**	**15 208**	**4 411**	**1 960**		**130 230**
Marketing and selling expenses	-12 569	-3 210	-3 346	-2 397	-2 558	-977	-189		-25 246
Administrative expenses	-16 716	-2 111	-5 160	-868	-1 455	-262	-329		-26 901
Other operating income	173	1 282		4	56	298	91		1 904
Other operating expenses	-213	-226	-43	-245	-130				-857
Segment profit	**25 333**	**17 426**	**11 117**	**9 130**	**11 121**	**3 470**	**1 533**		**79 130**
Financial income								1 362	1 362
Financial expenses								-13 733	-13 733
Profit before tax									**66 759**
Income tax expense								-19 350	-19 350
PROFIT OF THE PERIOD									**47 409**

BALANCE SHEET – ASSETS

IN '000 €	2018								
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NOT ALLOCATED	TOTAL
Intangible assets	5 677	689	2 737	313	225	22			9 663
Goodwill	6 586	11 317	32 038	2 858	29 719	5 844	6 502		94 864
Property, plant and equipment	72 486	81 254	75 151	49 406	127 774	11 578	6 690		424 339
Investment property				6 721			10 325		17 046
Deferred tax assets								1 427	1 427
Other receivables	1	7 720	2 396	677	-20	11			10 785
Other financial assets								27	27
Non-current assets	**84 750**	**100 980**	**112 322**	**59 975**	**157 698**	**17 455**	**23 517**	**1 454**	**558 151**
Inventories	2 604	373	770	302	705	126	36		4 916
Trade and other receivables	17 931	9 159	9 928	1 730	2 973	1 065	213		42 999
Current tax assets								2 416	2 416
Cash and cash equivalents								65 381	65 381
Assets classified as held for sale			2 832		4 159				6 991
Current assets	**20 535**	**9 532**	**13 530**	**2 032**	**7 837**	**1 191**	**249**	**67 797**	**122 703**
SEGMENT ASSETS	**105 285**	**110 512**	**125 852**	**62 007**	**165 535**	**18 646**	**23 766**	**69 251**	**680 854**

BALANCE SHEET – EQUITY AND LIABILITIES

IN '000 €									2018
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NOT ALLOCATED	**TOTAL**
Share capital and share premium								20 106	20 106
Consolidated reserves								161 461	161 461
Translation reserve								-4 164	-4 164
Total equity attributable to the owners of the Company								177 403	177 403
Non-controlling interests								214	214
Equity								177 617	177 617
Loans and borrowings								272 677	272 677
Provisions for employee benefits	557								557
Provisions	1 526	109	8 902		4 028				14 565
Deferred tax liabilities								20 518	20 518
Derivative financial instruments								211	211
Other payables	1	7 281	3 356	270	69				10 977
Non-current liabilities	2 084	7 390	12 258	270	4 097			293 406	319 505
Bank overdrafts								36	36
Loans and borrowings								69 790	69 790
Trade and other payables	44 627	21 112	20 072	6 167	11 032	2 811	507		106 328
Provisions		335	1 094		812				2 241
Current tax liabilities								5 337	5 337
Current liabilities	44 627	21 447	21 164	6 167	11 844	2 811	507	75 163	183 730
SEGMENT EQUITY AND LIABILITIES	**46 711**	**28 837**	**33 423**	**6 437**	**15 941**	**2 811**	**507**	**546 187**	**680 854**

CAPITAL EXPENDITURE

IN '000 €									2018
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NOT ALLOCATED	**TOTAL**
CAPITAL EXPENDITURE	**13 308**	**15 004**	**14 788**	**3 362**	**13 778**	**869**	**95**		**61 204**

NON-CASH ELEMENTS

IN '000 €									2018
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	LUXEMBOURG	OTHERS (POLAND & SWITZERLAND)	NOT ALLOCATED	**TOTAL**
Depreciation, amortisation, provisions and impairments	11 246	7 080	4 955	3 438	7 271	1 746	438		36 174
Others	1 075								1 075
TOTAL	**12 321**	**7 080**	**4 955**	**3 438**	**7 271**	**1 746**	**438**		**37 249**

3. Revenue

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

IN ’000 €	2018	2019
Box office	260 520	304 691
In-theatre sales	130 509	155 852
Business-to-business	55 519	60 914
Brightfish	10 710	12 901
Film distribution	4 563	3 182
Technical department	53	84
TOTAL IFRS 15	**461 874**	**537 624**
Real estate	14 006	13 858
TOTAL	**475 880**	**551 482**

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

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

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

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

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

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

Revenue from Box Office and In-theatre sales (which together represented 84% of total revenue) are directly linked to the evolution of the visitors. These in turn depend on the number of films produced, their success with the customer and external factors, such as competitive activities and weather conditions. Consequently, the number of visitors, and therefore the turnover, can be very volatile. For more information regarding the risks involved, please refer to the ‘Description of the main business risks’ in the ‘Corporate Governance Statement’ section.

B2B consists of three products: sales of vouchers, sales of cinema advertising and sales of film and non-film related events. Film related events make up the bulk of B2B and are closely related to the line-up and the number of films produced and their potential success. The sale of vouchers and cinema advertising strongly depend on the macro-economic climate and business confidence.

The Brightfish results are highly dependent on the macro-economic climate, the advertising spending mainly in the FMCG industry and the share of cinema and marketing campaigns of the major advertisers. Depending on the pricing in other media such as online and TV, this can fluctuate widely.

The results for film distribution depend on the number and success of the Flemish productions of which Kinepolis Film Distribution (KFD) owns the rights, combined with the international releases of which Kinepolis Film Distribution owns the rights for the Belgian and Luxembourg territory, together with Dutch Filmworks (DFW).

The current contractual obligation with regard to the gift vouchers amounted to € 27.5 million on 31 December 2019 (2018: € 22,2 million).

IN '000 €	2019
BALANCE AT END OF PREVIOUS PERIOD	**22 227**
Acquisitions through business combinations	2 203
Newly issued gift vouchers	62 397
Gift vouchers exercised or expired	-59 353
BALANCE AT END OF CURRENT PERIOD	**27 475**

The evolution of the balance of the current obligation with regard to the gift vouchers depends on the evolution of the number of visitors. The gift vouchers have an average duration to maturity of less than 12 months in Europe. In the United States, gift vouchers have a duration of five years, and gift vouchers have an unlimited duration in Canada.

4. Other operating income and expenses

OTHER OPERATING INCOME

IN '000 €	2018	2019
Government grants	855	708
Capital gains on disposal of property, plant and equipment	104	1 350
Others	945	383
TOTAL	**1 904**	**2 441**

GOVERNMENT GRANTS

The Group receives government grants in France from the Centre National du Cinéma et de l'Image Animée (CNC) for cinema related investments. These grants come from a fund financed by contributions from cinema operators in the form of a percentage of ticket sales. The grants are recorded as liabilities, and are taken into the result over the useful life of the related assets, at € 0.7 million in 2019 (2018: € 0.9 million).

The capital gain on disposal of property, plant and equipment in 2018 relates to the sale of a plot of land in Poland. In 2019, this capital gain mainly relates to the sale of the property in Kamloops in Canada (€ 0.3 million) and the offices in 's-Hertogenbosch in the Netherlands (€ 0.9 million).

OTHER OPERATING EXPENSES

IN '000 €	2018	2019
Losses on disposal of property, plant and equipment	-365	-181
Losses on disposal of trade receivables	-325	-251
Others	-167	-375
TOTAL	**-857**	**-808**

The loss on the disposal of property, plant and equipment in 2018 and 2019 mainly relates to the disposal of equipment.

5. Employee benefit expenses and other social benefits

IN '000 €	2018	2019
Wages and salaries	-59 056	-65 601
Mandatory social security contributions	-11 631	-11 771
Employer contributions to employee insurances	-578	-925
Share-based payments	-1 075	-723
Other employee benefit expenses	-3 209	-3 232
TOTAL	**-75 550**	**-82 252**
Total full-time equivalents at the balance sheet date	2 126	2 603

The increase in employee benefit expenses in 2019 is mainly due to the higher number of full-time equivalents as at 31 December 2019 due to the Group's expansion in Spain, the Netherlands and the United States.

The share-based payments are related to the options granted in 2017, 2018 and 2019. For more information, we refer to note 20.

The employee benefit expenses also include early retirement pensions, which, in accordance with IFRS, should be treated as termination benefits, as no reasonable expectation was generated among employees during hiring or employment that they would be entitled to an early retirement pension before the legal retirement age. They are non-material amounts.

CLARIFICATION OF PENSION LIABILITIES AND PENSION COSTS

The amounts on the balance sheet are determined as follows:

IN '000 €	2018	2019
Defined benefit plan	557	1 036
TOTAL	**557**	**1 036**

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

The Group has two pension plans in Belgium that are deemed to be pension plans with defined contributions by law. As Belgian law applies to all second pillar pension plans ('Vandenbroucke Law'), all Belgian plans with defined contributions under IFRS are qualified as defined benefit plans. The 'Vandenbroucke Law' states that, in the context of the defined contribution plans, the employer must guarantee a minimum return of a percentage that is adjusted based on market returns, with a minimum of 1.75% and a maximum of 3.75%, which reduces the risk for the employer.

These minimum return requirements for the defined contribution plans in Belgium expose the employer to a financial risk (because there is a legal obligation to pay future contributions if the fund has insufficient assets to pay all the employee benefits related to the work performed by the employees in the current and past periods).
As a consequence, these plans must be classified and recognised in the accounts as a defined benefit plan as under IAS 19.

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

IN '000 €	2018	2019
Liability from defined contribution plans	5 317	6 201
Fair value of fund investments	-4 759	-5 165
Net liability (-asset) from defined benefit plan	557	1 036

Assets concern qualifying insurance policies and are not part of the financial instruments of the Group. The minimum return guarantee is currently 1.75%.

ACTUARIAL ASSUMPTIONS

The main actuarial assumptions are:

IN %	2018	2019
Weighted average discount rate	1.70%	0.60%
Expected inflation	1.75%	1.75%
The expected general pay rise	2.75%	2.75%

Life expectancy is based on the Belgian mortality table MR/FR, adjusted by -5 years.

TOTAL COMPREHENSIVE INCOME

For these pension plans, the following amounts are included in total comprehensive income:

IN '000 €	2018	2019
Included in the income statement		
Pension costs allocated to the year of service	-219	-234
Interest expenses	-6	-6
	-225	-240
Included in other comprehensive income		
Changes to estimates of defined benefit plans	5	-516
	5	-516
Total comprehensive income	-220	-756

The expected pension costs from defined benefit plans for 2020 are € 0.3 million, and primarily relate to allocated pension costs.

SENSITIVITY ANALYSIS

IN '000 €	31 DECEMBER 2019	
	INCREASE	DECREASE
Discount rate (1% movement)	-507	626
Future pay fluctuation (1% movement)	50	-44
Life expectancy (1% movement)	-2	2

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

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

6. Additional information on operating expenses by nature

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

IN '000 €	2018	**2019**
Purchases	-165 175	-200 162
Services and other goods	-83 576	-62 448
Employee benefit expenses and other social benefits	-55 612	-61 200
Depreciation and amortisation	-36 215	-66 342
Provisions and impairments	858	-418
Others	-5 931	-3 317
COST OF SALES	**-345 651**	**-393 886**

The table below shows the breakdown of marketing and selling expenses by nature:

IN '000 €	2018	**2019**
Services and other goods	-16 210	-18 209
Employee benefit expenses and other social benefits	-7 303	-7 825
Depreciation and amortisation	-1 746	-1 838
Provisions and impairments	20	-4
Others	-7	-9
MARKETING AND SELLING EXPENSES	**-25 246**	**-27 886**

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

IN '000 €	2018	**2019**
Services and other goods	-13 192	-14 285
Employee benefit expenses and other social benefits	-12 635	-13 227
Depreciation and amortisation	-1 078	-2 554
Provisions and impairments	64	-145
Others	-58	-95
ADMINISTRATIVE EXPENSES	**-26 900**	**-30 306**

7. Financial income and expenses

FINANCIAL INCOME

IN '000 €	2018	**2019**
Interest income	15	59
Foreign exchange gains	345	144
Fair value of contingent considerations	428	
Unwinding of non-current government grants receivable	402	373
Others	172	365
TOTAL	**1 362**	**941**

At 31 December 2018, there was a fair value change to the contingent consideration with regard to the acquisition of the Wolff Bioscopen group (€ 0.4 million).

FINANCIAL EXPENSES

IN '000 €	2018	2019
Interest expenses	-10 374	-11 027
Interest expenses on lease liabilities		-9 353
Foreign exchange losses	-331	-229
Others	-3 028	-4 058
TOTAL	**-13 733**	**-24 667**

The increase in interest expenses is mainly due to an increase in gross debt due to the private placement of bonds amounting to € 225.0 million in July 2019. This is partly offset by the repayment of a bond for € 59.1 million in March 2019.

The new standard IFRS 16: Leases has been applied as of 1 January 2019. Due to the application of IFRS 16 and the associated accounting treatment, interest costs are allocated to lease liabilities (€ 9.4 million). For more information, we refer to note 26.

The exchange rate losses mainly relate to the fluctuations of the Canadian and US Dollar against the Euro.

In 2019, the capitalisation of interest costs related to construction projects amounted to € 0.2 million, compared to € 0.3 million in interest costs capitalised in 2018. As the Group applies a general financing policy, a weighted average interest rate of 2.64% is used to capitalise the interest expenses of construction projects (2018: 2.64%).

The total costs with regard to the refinancing of the Group in 2012 were € 1.1 million. These are recognised in the result using the effective interest method at € 0.1 million in 2019 (2018: € 0.1 million) and are a part of the other financial expenses. The costs of the refinancing of the Group in 2015 were € 1.6 million. These are recognised in the result using the effective interest method at € 0.2 million in 2019 (2018: € 0.2 million) and are a part of the other financial expenses. The costs of the refinancing of the Group in 2017 were € 0.5 million. These are recognised in the result using the effective interest method at € 0.1 million in 2019 (2018: € 0.1 million) and are a part of the other financial expenses. The costs of the refinancing of the Group in 2019 were € 1.6 million. These are recognised in the result using the effective interest method at € 0.1 million in 2019 (2018: € 0.0 million) and are a part of the other financial expenses.

The remaining other financial expenses in 2019 and 2018 mainly related to bank charges. In addition, the other financial expenses include commitment fees of € 0.2 million (2018: € 0.3 million) related to the credit agreement that the Group revised and expanded in 2019. For more information, we refer to notes 21 and 25.

8. Income tax expenses

IN '000 €	2018	2019
Current tax expenses	-19 094	-23 910
Deferred tax expenses	-256	971
TOTAL	**-19 350**	**-22 939**

The effective tax rate was 29.67% in 2019 (2018: 28.96%). The higher income tax is mainly due to the reversal of taxes related to fairness tax, which led to a release of € 0.6 million deferred taxes last year, which can be found in the following table under 'Reversal taxes related to fairness tax' in 2018.

EFFECTIVE TAX RATE RECONCILIATION

IN '000 €	2018	**2019**
Profit before tax	66 760	77 312
Belgian tax rate	**29.58%**	**29.58%**
Income tax using the Company's domestic tax rate	-19 748	-22 868
Effect of tax rates in foreign jurisdictions	545	359
Disallowed expenses	-497	-524
Tax-exempt income	1 131	56
Impairment on treasury shares	-809	8
Losses for which no deferred tax asset is recognised	-513	-18
Use of unrecognised losses and tax losses for which no deferred tax asset was recognised	37	156
Under/(over) provision in prior periods	-163	22
Change to law and tax rate in Luxembourg		101
Change to law and tax rate in the Netherlands	237	-86
Change to law and tax rate in Canada		327
Reversal taxes related to fairness tax	594	
Other adjustments	-164	-472
TOTAL INCOME TAX EXPENSE	**-19 350**	**-22 939**
Effective tax rate	**28.96%**	**29.67%**

The 'Other adjustments' mainly concern deferred taxes on temporary differences between tax and group results in the different countries.

The change in legislation and tax rate in Luxembourg relates to the decrease from 26,01% to 24,94%. In 2018, the change in legislation and tax rate in the Netherlands was the future reduction in the income tax rate from 25.00% to 22.55% in 2020, and to 20.50% from 2021. In 2019, there was a new legislative change, concerning the change in the income tax rate from 20.50% to 21.70% from 2021. The change in the legislation and tax rate in Alberta (CA) concerns the gradual decrease in the average income tax rate from 27.00% in 2019 to 25.50% in 2022.

9. Intangible assets

The patents and licenses mainly comprise software purchased from third parties. The internally generated intangible assets concern the changes to software for the Group's ticket system.

The 'Other' category includes the trade name 'Landmark Cinemas' and amounts to € 2.8 million. The trade name has an indefinite useful life. The trade name was retained at the acquisition of Landmark Cinemas in 2017, as this is the second largest cinema group in Canada. Further organic growth on the Canadian market and the marketing of the existing cinemas will be performed under the name 'Landmark Cinemas'.

The acquisitions amount to € 2.6 million in 2019 (2018: € 2.9 million) and mainly relate to investments in the renewal of the back-office software of the Group and investments in the ICT infrastructure. These consist of internal hours worked for € 0.7 million and purchases from third parties for € 1.9 million.

The acquisitions through business combinations are related to the acquisitions of MJR Digital Cinemas (USA) and El Punt (ES). For more information, we refer to note 10.

IN ’000 €	PATENTS AND LICENSES	OTHERS	INTERNALLY GENERATED INTANGIBLE ASSETS	TOTAL
Acquisition value	13 571	4 329	3 240	21 140
Amortisation and impairment losses	-8 972	-977	-2 142	-12 091
NET CARRYING AMOUNT AT 31/12/2017	**4 599**	**3 352**	**1 098**	**9 049**
Acquisitions	2 221	331	320	2 872
Sales and disposals	-70	-36		-106
Transfer to other categories	-232	-117	-10	-359
Amortisation	-1 615	-53	-299	-1 967
Acquisitions through business combinations	279			279
Effect of exchange rate fluctuations	-5	-99		-104
Acquisition value	15 825	4 364	3 550	23 739
Amortisation and impairment losses	-10 648	-986	-2 441	-14 075
NET CARRYING AMOUNT AT 31/12/2018	**5 177**	**3 378**	**1 109**	**9 663**
Acquisitions	1 907	1	729	2 637
Sales and disposals	-1	-2		-3
Transfer to other categories	146	31	200	377
Amortisation	-1 900	-86	-473	-2 459
Acquisitions through business combinations	935	1 702		2 637
Effect of exchange rate fluctuations	-12	147		135
Acquisition value	19 374	6 262	4 233	29 869
Amortisation and impairment losses	-13 123	-1 092	-2 667	-16 882
NET CARRYING AMOUNT AT 31/12/2019	**6 252**	**5 170**	**1 565**	**12 987**

10. Goodwill and business combinations

GOODWILL

IN ’000 €	2018	2019
BALANCE AT END OF PREVIOUS PERIOD	**86 393**	**94 864**
Acquisitions through business combinations	10 058	73 533
Impairment losses	-487	
Effect of exchange rate fluctuations	-1 100	977
BALANCE AT END OF CURRENT PERIOD	**94 864**	**169 374**

The acquisitions through business combinations are discussed elsewhere in this note (see Business combinations).

The impairment loss in 2018 relates to the impairment of goodwill related to the closure of the Nîmes Forvm (France).

At the end of 2019, as in every year in this period, a review was performed to identify any indications of a possible impairment of non-financial assets. During this review the Group considered, among other things, the economic situation, the evolution of visitor figures, EBITDA and the components that make up the weighted average cost of capital determined by the Group, especially the risk-free interest rate, the market risk premium and the cost of debt.

An annual impairment test must always be performed for cash-generating units to which goodwill is allocated, and for intangible assets with an indefinite useful life, regardless of whether there are indications of impairment. For the carrying amount of intangible assets with indefinite useful life allocated to the cash-generating unit ‘Canada’, we refer to note 9.

For the tests at the end of 2019, the impact of the implementation of IFRS 16 has been taken into account, which is further explained below in the various components of the impairment test. No impairments were recognised on the basis of the impairment tests performed.

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

The cash flows of the Group are generated per country:

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

The value in use was taken into consideration in the impairment tests. For all cash-generating units, the value in use was defined by discounting the future cash flows calculated over the period 2021 to 2039, based on the budget for 2020. However, due to the impact of IFRS 16, the definition of future cash flows has changed and the starting point for determining future cash flows has been the EBITDA, which, due to the impact of the implementation of IFRS 16, no longer includes the payments for leased complexes. This increases the value in use of the tested assets. To compensate for this, the lease liability arising from these payments under IFRS 16 was deducted from the value in use in the impairment calculations. The future cash flows are calculated over a period of 20 years, as the Group owns a large part of its real estate and is therefore assured of long-term exploitation. The calculation of the lease liability must be based on the remaining lease term, including any extensions. In the case of the calculation of the lease liability starting from a different term than the assumed 20 years, the calculation of the lease liability has been adjusted to 20 years.

The impact of IFRS 16 was also taken into account in determining the carrying amount of the non-financial assets or the carrying amount of the cash-generating units, with the right-of-use assets and the lease liabilities being part of the carrying amount.

A terminal value after 20 years is not taken into account, in exchange for this, the net book value of the country is not included in the test. For the period 2021 to 2039, the data of the 2020 budget for all cash-generating units was extrapolated on the basis of the following assumptions:

- The visitor figures, which are the most important driver, are based on a budget for 2020 that results from a fictitious low number of visitors (-5% visitors compared to 2019). This exercise is carried out annually, and aims to have the company look for measures to increase profitability, and thereby lower the break-even point. The company does not assume that visitors will fall by 5%, but, by working with this visitor evolution, the operational entities of the group are forced to think about how they can increase the contribution per visitor and the total, in order to compensate for the difference in visitors. By also using this budget in the impairment tests, a cautious budget is therefore assumed;
- All other drivers are also based on the following year's budget, including all improvements and optimisations included in this, such as improvements in the product mix and the launch of new products, more efficient staff scheduling, the impact of contract negotiations with suppliers and more;
- The EBITDA grows by 1% annually, applied to all countries and for each cash-generating unit. This is only intended to compensate for inflation, whereby the EBITDA margin remains constant; The 1% is a conservative approach, as it is less than the long-term inflation expectation and the historical evolution;
- The assumptions regarding replacement investments are identical for all countries, but are differentiated depending on whether it concerns owned or leased buildings. The amounts are determined on the basis of the group guidelines that must be followed by all countries. This will be increased by 1% for all countries from 2021.

The projections are performed in the functional currency of the relevant country and discounted at the weighted average cost of the country's capital. The implementation of IFRS 16 required a more diversified approach to the proposed weighted average cost of capital at the country level, as, from 2019, the debt will also include the lease liabilities of the country, and future cash flows will be discounted at the weighted average cost of capital, while right-of-use assets are calculated on the basis of a discount rate. In order to align this, the country-specific debt / equity ratio was taken into account when calculating the weighted average cost of capital at country level, whereby the debt capital also includes the lease liability of the country. The proposed weighted average cost of capital is 5.74% for Belgium, 5.60% for France, 4.79% for Canada, 5.29% for Spain, 5.40% for the Netherlands, 5.49% for Luxembourg , 5.45% for Switzerland and 7.57% for Poland (2018: 5.98% for Belgium, 5.93% for France, 7.29% for Canada, 6.69% for Spain, 5.76% for the Netherlands, 5.67% for Luxembourg, 5.37% for Switzerland and 8.09% for Poland) and was determined on the basis of the following theoretical parameters:

	2018						2019 (2)					
	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	0.80%	6.18%	0.98	2.89%	6.85%	18.07%	-0.06%	6.63%	0.99	2.67%	6.52%	17.15%
France	0.75%	6.18%	0.98	2.89%	6.80%	18.07%	-0.06%	6.63%	0.99	2.67%	6.52%	19.97%
Spain	1.63%	6.18%	0.98	2.89%	7.68%	18.07%	0.28%	6.63%	0.99	2.67%	6.86%	32.27%
The Netherlands	0.50%	6.18%	0.98	2.89%	6.55%	18.07%	-0.32%	6.63%	0.99	2.67%	6.26%	20.20%
Luxembourg	0.40%	6.18%	0.98	2.89%	6.45%	18.07%	-0.36%	6.63%	0.99	2.67%	6.22%	17.28%
Switzerland	-0.03%	6.18%	0.98	2.89%	6.02%	18.07%	-0.55%	6.63%	0.99	2.67%	6.03%	15.68%
Poland	3.30%	6.18%	0.98	2.89%	9.35%	18.07%	2.00%	6.63%	0.99	2.67%	8.58%	15.68%
Canada	2.38%	6.18%	0.98	2.89%	8.43%	18.07%	1.48%	6.63%	0.99	2.67%	8.06%	53.58%

(1) Before tax
(2) The United States was not added for 2019: no impairment exercise as the transaction was not yet final

The debt to equity ratio is differentiated by country due to the impact of lease liabilities under IFRS 16 at country level. Equity is based on the enterprise value of the company, and not on the consolidated equity. The weighted average cost of the capital is tested annually on the basis of the parameters used by the analysts who follow the Group's share, while also taking into account the specific circumstances of each country. There was always a large margin compared to the parameters used by the analysts.

The weighted average cost of capital before tax is 5.86% for Belgium, 5.75% for France, 5.17% for Canada, 5.50% for Spain, 5.53% for the Netherlands, 5.60% for Luxembourg, 5.50% for Switzerland and 7.65% for Poland (2018: 6.14% for Belgium, 6.10% for France, 7.43% for Canada, 6.82% for Spain, 5.89% for the Netherlands, 5.81% for Luxembourg, 5.46% for Switzerland and 8.19% for Poland). These percentages before tax do not deviate substantially from the iterative calculation.

Management believes that the assumptions used in the impairment tests provide the best estimates of the future developments, and believes that no reasonably possible change in any of the principle assumptions would lead to a carrying amount of the cash-generating units that would materially exceed their recoverable amount.

Sensitivity analyses were performed with regard to the various parameters used.

In one of these analyses, the cost of debt before taxes that was used has been doubled, which would result in an increase of the weighted average costs of capital that varies between 34 and 105 basis points depending on the country. As of a debt cost of 6% (currently 2.67%), this could lead to an impairment in one country.

GOODWILL PER CASH-GENERATING UNIT

IN '000 €	2018	2019
Belgium	6 586	6 586
France	11 317	11 317
Canada	32 038	34 054
Spain	2 858	22 015
The Netherlands	29 719	33 970
United States		49 087
Luxembourg	5 844	5 844
Poland	6 502	6 502
BALANCE AT END OF CURRENT PERIOD	**94 864**	**169 374**

BUSINESS COMBINATIONS

ACQUISITIONS IN 2019

Acquisition of 'El Punt'

In December 2018, Kinepolis 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, Kinepolis Group completed the acquisition on 28 February 2019. The transfer of control took place on 1 March 2019. Both cinemas are part of the El Punt cinema group, which was owned by the Sallent family. The 'El Punt Vallès' cinema, also located in Barcelona is not included in the transaction. All the shares were purchased.

The 'Full' megaplex in Barcelona has 28 screens with a total of 2 689 seats and welcomes more than 1.3 million cinema-goers every year. The complex is leased, and is situated in the 'Splau' commercial centre in Cornellá de Llobregat, close to the airport and 14 km south of Barcelona. The 'Full' cinema complex is the flagship of the El Punt group: all screens are equipped with high-quality 4K projectors and 19 screens have Dolby Atmos sound. The 'El Punt Ribera' cinema is located in a commercial district in Alzira, 44 km south of Valencia. The complex of which the real estate is owned, has 10 screens – each featuring Dolby 7.1 sound – and 2 528 seats and attracts more than 300 000 visitors annually.

After deduction of cash acquired, the transaction has an enterprise value of € 26.0 million. The inclusion of the cinema group El Punt in the consolidation scope of the Group as of 1 March 2019, the date on which the effective control was acquired, resulted in goodwill of € 19.2 million. This goodwill originates from strengthening the position of Kinepolis in the Spanish market, synergy benefits and being able to offer the Kinepolis film experience to even more visitors.

As of 31 December 2019, the cinema group El Punt contributed € 11.9 million revenue, € 3.9 million EBITDA and € 1.6 million result to the consolidated results of the Group. If the transfer of control had taken place on 1 January 2019, El Punt would have contributed € 13.8 million in revenue, € 4.4 million EBITDA and € 1.9 million in result. The transaction expenses linked to this acquisition were € 0.3 million at 31 December 2019, and were recognised in the result as part of the administrative expenses.

NET IDENTIFIABLE ASSETS AND LIABILITIES

IN '000 €	2019
Property, plant and equipment and intangible assets	8 130
Other non-current receivables	176
Right-of-use assets	18 072
Inventories	152
Current trade and other receivables	255
Current tax assets	22
Cash and cash equivalents	414
Lease liabilities	-18 072
Bank overdrafts	-591
Deferred tax liabilities	-613
Current trade and other payables	-1 110
Current tax liabilities	-145
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. Kinepolis pays an at arm's length rent that is reflected in the right-of-use assets.

Current trade and other payables included € 0.8 million in trade payables, € 0.2 million in remuneration, social security and other taxes, and € 0.2 million debt to previous shareholders. The deferred tax liability was recognised on the fair value revaluation of the building in Alzira. The revaluation of the building is based on a valuation report carried out by an external party. The other elements of the net identifiable assets and liabilities have not been adjusted, as they have already been included at fair value.

GOODWILL CALCULATION AND RECONCILIATION WITH THE CONSOLIDATED CASH FLOW STATEMENT

IN '000 €	2019
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 ACQUIRED CASH, IN THE CASH FLOW STATEMENT (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.

Kinepolis will always carry out an acquisition without external debts (excluding lease liabilities). The goodwill generated is not tax-deductible.

Acquisition of 'Arcaplex'
Mid-October, Kinepolis reached an agreement with the shareholders of Arcaplex regarding the acquisition of the Dutch cinema. As of 14 November 2019, Kinepolis Group took over both the real estate and the operation of the Arcaplex cinema located in Spijkenisse, the Netherlands. The cinema, which was previously owned and operated by the Rump family, has 9 screens and 951 seats, and welcomed more than 200 000 visitors in 2018. The cinema was thoroughly renovated and expanded in the spring of 2018. Three new screens were added in the process, provided with every seating comfort and equipped with laser projection for crystal-clear picture quality.

The fair value of the acquired assets and liabilities was provisionally determined in order to calculate the goodwill resulting from this acquisition. The definitive value of the acquired assets and liabilities will be determined within a period of 12 months from the date of acquisition and, if necessary, any appropriate additional adjustments will be made to the fair value.

After deduction of the cash acquired, the transaction has an enterprise value of € 9.1 million. External debts were repaid just before acquisition, and were replaced by financing from the Group. The inclusion of Arcaplex in the consolidation scope of the Group from 14 November 2019, the date on which effective control was acquired, resulted in goodwill of € 4.3 million. This goodwill originates from the strengthening of the position of Kinepolis on the Dutch market, synergy benefits and the offer of the Kinepolis film experience to even more visitors.

As of 31 December 2019, Arcaplex contributed € 0.5 million revenue, € 0.2 million EBITDA and € 0.1 million result to the consolidated results of the Group. If the control had been transferred on 1 January 2019, Arcaplex would have contributed € 3.0 million revenue, € 0.6 million EBITDA and € 0.1 million result. The transaction expenses linked to this acquisition were € 0.1 million at 31 December 2019, and were recognised in the result as part of the administrative expenses.

NET IDENTIFIABLE ASSETS AND LIABILITIES

IN '000 €	2019
Property, plant and equiment and intangible assets	5 739
Inventories	14
Current trade and other receivables	160
Bank overdrafts	-211
Deferred tax liabilities	-179
Current trade and other payables	-5 442
Current tax liabilities	-31
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. Current trade and other payables included € 0.7 million in trade payables, € 0.2 million in remunerations, social security debts and other taxes and € 4.6 million in debt to previous shareholders. The deferred tax liability was recognised on the fair value revaluation of the land in Spijkenisse. The revaluation of the land is based on a valuation report carried out by an external party. The other elements of the net identifiable assets and liabilities have not been adjusted, as they have already been included at fair value.

GOODWILL CALCULATION AND RECONCILIATION WITH THE CONSOLIDATED CASH FLOW STATEMENT

IN '000 €	2019
NET IDENTIFIABLE ASSETS AND LIABILITIES	**51**
CONSIDERATION [1]	**4 302**
Net acquired cash [2]	-211
Repayment of debt [3]	4 564
ACQUISITION OF SUBSIDIARIES, NET OF ACQUIRED CASH, IN THE CASH FLOW STATEMENT [1] - [2] + [3]	
GOODWILL	4 252

The cash has been adjusted in the table above, with changes in current account and working capital. Kinepolis will always carry out an acquisition without external debts. Any external debts are repaid just before acquisition, and are replaced by an intra-group loan. The repayment of these debts in the context of the acquisition of Arcaplex for an amount of € 4.6 million is therefore also included in the acquisition of subsidiaries in the cash flow statement. The goodwill generated is not tax-deductible.

Acquisition of MJR Digital Cinemas

In September, Kinepolis 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, Kinepolis was able to successfully complete the acquisition procedure on 11 October 2019.

MJR Digital Cinemas, with head office in Bloomfield Hills, Michigan, has 10 cinema complexes with a total of 164 screens and 16 630 seats, all located in Michigan. All the cinemas involved are multi- and megaplexes with capacities ranging from 10 to 20 screens.

Seven of these cinemas are owned (114 screens), including three on a leasehold site, the remaining three are leased complexes (50 screens). The Group has three megaplexes with 20 screens each, five cinemas with 16 screens, one with 14 screens and one with 10 screens. All screens have 5.1 digital surround sound, and two complexes have an 'EPIC experience' auditorium, where 4K projection is combined with Dolby Atmos sound. Nine out of ten cinemas are also equipped with the 'recliner' seat concept, the motorised, fully reclinable seats with footrest, which are also very successful in Canada.

The fair value of the acquired assets and liabilities has been provisionally determined to calculate the goodwill resulting from this acquisition. The definitive value of the acquired assets and liabilities will be determined within a period of 12 months from the date of acquisition and, if necessary, any appropriate additional adjustments will be made to the fair value.

The transaction has an enterprise value, after deduction of cash acquired, of € 138.8 million (154.0 million USD). External debts were repaid just before acquisition, and were replaced by financing from the Group. The inclusion of MJR Digital Cinemas in the Group's scope of consolidation as of 11 October 2019, the date on which effective control was acquired, resulted in goodwill of € 50.1 million. Taking into account that, in accordance with IFRS 9, the fair value of forward exchange contracts (€ 1.1 million) related to financial instruments entered into solely to finance a foreign currency acquisition (MJR Digital Cinemas) may be recognised in the determination of goodwill. The total goodwill originates from the strengthening of the position of Kinepolis 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 Kinepolis's expansion strategy and allows the Group to enter a new market, characterised by a healthy macro-economic perspective, a growing population and a favourable business climate.

As of 31 December 2019, MJR Digital Cinemas contributed € 15.7 million revenue, € 4.9 million EBITDA and € 1.2 million result to the Group's consolidated results. If the control had been transferred on 1 January 2019, MJR Digital Cinemas would have contributed € 64.7 million revenue, € 10.2 million EBITDA and € 1.7 million result. The transaction expenses linked to this acquisition were € 1.2 million at 31 December 2019, and were recognised in the result as part of the administrative expenses.

NET IDENTIFIABLE ASSETS AND LIABILITIES

IN '000 €	2019
Intangible assets	2 603
Property, plant and equipment	90 258
Right-of-use assets	54 894
Non-current other receivables	208
Inventories	413
Current trade and other receivables	1 687
Cash and cash equivalents	1 828
Non-current loans and borrowings	-25 589
Lease liabilities	-54 894
Current trade and other payables	-5 342
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 Kinepolis 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 Kinepolis 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. Kinepolis pays an at arm's length rent that is reflected in the right-of-use assets.

Current trade and other receivables include € 1.1 million trade receivables and € 0.6 million other receivables. No material impairments were recognised on receivables at year-end. Non-current loans and borrowings (€ 25.6 million) concerns debts that were paid just before acquisition and that were replaced by internal financing. Current trade and other payables include € 5.2 million in trade payables and € 0.1 million in other payables.

Deferred tax liabilities were recognised on the fair value revaluation of the land and buildings of the owned complexes for € 4.5 million. The revaluations are based on valuation reports carried out by an external party. The deferred tax position is fully offset by the deferred tax asset on other differences (€ 0.3 million) and on goodwill created upon acquisition (€ 4.2 million). The goodwill generated is tax-deductible. This deferred tax asset will be included in the result according to the fiscally accepted depreciation of this goodwill.

The other elements of the net identifiable assets and liabilities have not been adjusted, as they have already been included at fair value.

GOODWILL CALCULATION AND RECONCILIATION WITH THE CONSOLIDATED CASH FLOW STATEMENT

IN '000 €	2019
NET IDENTIFIABLE ASSETS AND LIABILITIES	**66 064**
Cash [1]	116 217
Outstanding receivables based on the final settlement	1 974
CONSIDERATION	**114 243**
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 ACQUIRED CASH, IN THE CASH FLOW STATEMENT [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. Kinepolis will always carry out an acquisition without external debts (excl. lease liabilities). Any external debts are repaid just before acquisition, and are replaced by an intra-group loan. The repayment of these debts in the context of the acquisition of MJR Digital Cinemas for an amount of € 25.6 million is therefore also included in the acquisition of subsidiaries in the cash flow statement. There is still an outstanding receivable based on the final settlement of € 2.0 million in favour of Kinepolis.

ACQUISITIONS IN 2018

Acquisition of 'NH Bioscopen'

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

The cinema in Schagen has five screens and 560 seats, welcoming some 220 000 visitors annually. The cinema in Hoofddorp has eight screens and 1 100 seats, welcoming some 390 000 visitors annually. The cinema under construction in Schalkwijk, in Haarlem, will have 6 screens and approximately 850 seats. The construction of this complex has already started.

The transaction has an enterprise value, after deduction of cash acquired, of € 27.0 million. External debts were repaid just before acquisition,and were replaced by financing from the Group. € 1.7 million of the total consideration is conditional. The conditional € 1.7 million is linked to whether or not the new-build project in Haarlem (NL) will be realised. The contingent consideration was already paid in 2018. The building permit was granted in 2019 and construction started in mid-October 2019.

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

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

NET IDENTIFIABLE ASSETS AND LIABILITIES

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

Property, plant and equipment and intangible assets of NH Bioscopen amount to € 19.3 million, and are recognised at fair value. € 18.8 million concerns land and buildings related to the cinema complexes at Schagen and Hoofddorp (NL). The remaining € 0.5 million is allocated to seats, screens, projectors and sound systems. Loans and borrowings were paid immediately before the transaction and were replaced by an intra-group loan. Current trade and other payables were mainly payables of the previous owner of NH Bioscopen, and were paid immediately after the transaction and replaced by internal financing (€ 0.6 million). Also considering the current and non-current loans and borrowings, this explains the repayment of the debt of € 7.7 million in the table below. The deferred tax liability was recognised for the fair value revaluation of the buildings in Schagen and Hoofddorp. The revaluation of the buildings is based on valuation reports carried out by external parties. The other elements of the net identifiable assets and liabilities have not been adjusted, as they have already been included at fair value.

GOODWILL CALCULATION AND RECONCILIATION WITH THE CONSOLIDATED CASH FLOW STATEMENT

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

The cash has been adjusted in the above table, with changes in current account and working capital. Kinepolis 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 NH Bioscopen for an amount of € 7.7 million is therefore also included in the acquisition of subsidiaries in the cash flow statement. The goodwill generated is not tax-deductible.

Acquisition of the 'Palace' cinema in Metz
On 8 January 2018, Kinepolis took over the operation of the 'Palace' cinema in Metz (FR) for an amount of € 0.5 million. The cinema, which is situated in the 'Quartier de l'Amphithéâtre', was immediately closed for a complete renovation and transformation into a new art-house cinema. The art-house cinema now has seven screens and 984 seats, and fits in with the joint ambition of Kinepolis and the City of Metz to bring a new, contemporary film offering to the city centre. The cinema was reopened on 30 August 2018.

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

11. Property, plant and equipment

IN '000 €	LAND AND BUILDINGS	PLANT, MACHINERY & EQUIPMENT	ASSETS UNDER CONSTRUCTION	TOTAL
Acquisition value	561 544	289 394	7 142	858 080
Depreciation and impairment losses	-254 439	-213 642		-468 081
NET CARRYING AMOUNT AT 31/12/2017	**307 105**	**75 752**	**7 142**	**389 999**
Acquisitions	19 846	22 849	15 582	58 277
Sales and disposals	-123	-213	-184	-520
Acquisitions through business combinations	18 754	462	120	19 337
Assets classified as held for sale	-4 419	-3		-4 422
Transfer to other categories	6 812	13 337	-19 790	359
Depreciation	-19 295	-16 948		-36 243
Effect of exchange rate fluctuations	-1 536	-872	-39	-2 447
Acquisition value	602 993	311 861	2 830	917 684
Depreciation and impairment losses	-275 848	-217 497		-493 344
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
Depreciation	-20 337	-22 099		-42 436
Effect of exchange rate fluctuations	2 202	1 572	68	3 843
Acquisition value	730 606	394 979	6 284	1 131 868
Depreciation and impairment losses	-323 119	-266 425		-589 544
NET CARRYING AMOUNT AT 31/12/2019	**407 487**	**128 554**	**6 284**	**542 324**

TRANSFER TO RIGHT-OF-USE ASSETS
The Group applied the new standard IFRS 16: Leases for the first time on 1 January 2019. As a result, as of 1 January 2019, a reclassification of the finance leases (€ 6.7 million) took place, which were previously included in Property, plant and equipment, to Right-of-use assets. For more information, we refer to note 26.

ACQUISITIONS
Acquisitions in 2019 included ongoing investments in machinery and equipment in Belgium (€ 9.9 million), France (€ 10.8 million) and Canada (€ 6.8 million). In addition, there have been investments in land and buildings in Canada (€ 12.0 million), the Netherlands (€ 1.3 million) and Belgium (€ 1.3 million), mainly related to the new construction projects in Regina (CA), Market Mall (CA), South East Edmonton (CA) and Haarlem (NL).

SALES AND DISPOSALS
The sales and disposals within the Plant, machinery and equipment section mainly concerns the disposals of old projectors and payment terminals.

ACQUISITION THROUGH BUSINESS COMBINATIONS
Through the 2019 acquisitions of MJR Digital Cinemas in the United States (€ 90.3 million), El Punt in Spain (€ 8.1 million) and Arcaplex in the Netherlands (€ 5.7 million), property, plant and equipment increased by € 104.1 million.

For more information about business combinations, we refer to note 10.

12. Investment property

IN '000 €	LAND AND BUILDINGS	PLANT, MACHINERY & EQUIPMENT	TOTAL
Acquisition value	23 682	523	24 205
Depreciation and impairment losses	-5 969	-488	-6 457
NET CARRYING AMOUNT AT 31/12/2017	**17 713**	**35**	**17 748**
Acquisitions	54		54
Sales and disposals	-135		-135
Depreciation	-324	-16	-340
Effect of exchange rate fluctuations	-281	-2	-283
Acquisition value	23 138	507	23 645
Depreciation and impairment losses	-6 111	-490	-6 601
NET CARRYING AMOUNT AT 31/12/2018	**17 027**	**17**	**17 044**
Acquisitions	79	6	85
Depreciation	-325	-8	-333
Effect of exchange rate fluctuations	84	1	85
Acquisition value	23 363	519	23 882
Depreciation and impairment losses	-6 498	-503	-7 001
NET CARRYING AMOUNT AT 31/12/2019	**16 865**	**16**	**16 881**

As of 18 January 2007 the land, buildings, machines and equipment in Poznań (PL) are no longer used for Kinepolis own operations, but leased to Cinema City, owned by the cinema group Cineworld, and to a number of smaller third parties. As required by IAS 40 (Investment property), the assets in question have been classified as investment property. The Group received a bank guarantee on first demand for € 0.3 million from Cinema City.

The total carrying amount of the investment property in Poland is € 10.1 million (2018: € 10.3 million).

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

Rental income from investment property was € 1.8 million (2018: € 1.9 million). The direct operating charges (including repairs and maintenance) ensuing from investment property were € 0.5 million (2018: € 0.4 million).

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

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

The fair value of the investment property was € 39.0 million (2018: € 38.6 million). The increase is due to the exchange rate fluctuation of the Polish Złoty.

The fair value of the investment property is recognised as a level 3 fair value based on the unobservable inputs that were used for the measurement. The market approach is used for the measurement of the fair value of the land and buildings. The independent experts base the price per square meter on their knowledge of the market and information on market transactions relating to comparable assets. The size, characteristics, location and layout of the land and buildings and the destination of the area in which they are situated have also been taken into account.
When determining the fair value of the buildings, their accessibility and the visibility from the street are also taken into account. The fair value of the other assets that are part of investment property is measured on the basis of the cost approach, in which the current replacement value of the assets is adjusted to account for physical, functional and economic obsolescence.

13. Deferred tax

The increase in deferred tax liabilities mainly relates to the application of the new standard IFRS 16: Leases, effective as of 1 January 2019. The application of the new standard causes a large increase in both deferred tax assets on lease liabilities and deferred tax liabilities on right-of-use assets and a decrease in the deferred tax asset on provisions. In addition, we also see a strong increase in deferred tax liabilities on property, plant and equipment and intangible assets, mainly due to the various acquisitions in 2019. This increase is partially offset by a higher deferred tax asset in the United States on goodwill and tax losses carried forward. For more information about business combinations, we refer to note 10.

TAX LOSSES CARRIED FORWARD AND UNUSED TAX CREDITS

Deferred tax assets on tax losses carried forward are recognised only if future taxable profits will be available to recover these losses, based on budgets and estimates for the next five years. The budgets and estimates are further expanded to future expected taxable profits in order to analyse the recoverability of the losses and credits.

On tax losses carried forward and unused tax credits for an amount of € 12.6 million (2018: € 10.4 million), no deferred tax asset has been recognised in the balance sheet, as based on our budgets and estimates it seems unlikely that sufficiently taxable profit will be available in the foreseeable future to enjoy the tax benefit.

On tax losses carried forward and unused tax credits for an amount of € 26.4 million (2018: € 9.7 million), a deferred tax asset has been recognised in the balance sheet. It is probable that sufficient taxable profit will be available for these losses.

The tax losses carried forward are indefinite in Belgium, France, the Netherlands, Luxembourg and the United States. In Canada, tax losses carried forward can be carried forward for 20 years.

In the United States, the tax losses carried forward are the result of a tax principle in which the future depreciation expense of property, plant and equipment and intangible assets (excluding goodwill) with a remaining life time less than or equal to 20 years is recognised immediately in the tax result. This principle was applied after the acquisition of MJR Digital Cinemas. The tax losses carried forward resulting from this can be carried forward indefinitely, with a maximum use of 80% of the taxable profit of the financial year.

The tax losses carried forward and unused tax credits can be allocated as follows:

IN ’000 €	2018			2019		
	TOTAL	LOSS FOR WHICH A DEFERRED TAX ASSET IS RECOGNISED	LOSS FOR WHICH NO DEFERRED TAX ASSET IS RECOGNISED	TOTAL	LOSS FOR WHICH A DEFERRED TAX ASSET IS RECOGNISED	LOSS FOR WHICH NO DEFERRED TAX ASSET IS RECOGNISED
Belgium	12 702	5 416	7 286	14 319	4 637	9 682
France	2 328	2 328		2 129	2 129	
Canada	1 916	1 916				
The Netherlands				243	243	
United States				19 428	19 428	
Luxembourg	3 102		3 102	2 923		2 923
TOTAL	**20 048**	**9 660**	**10 388**	**39 042**	**26 437**	**12 605**

DEFERRED TAX ASSETS AND LIABILITIES
The deferred tax assets and liabilities recognised in the statement of financial position can be attributed as follows:

IN '000 €	2018			**2019**		
	ASSETS	LIABILITIES	DIFFERENCE	ASSETS	LIABILITIES	DIFFERENCE
Property, plant and equipment and intangible assets	92	-25 459	-25 368	382	-37 755	-37 373
Goodwill				4 090		4 090
Right-of-use assets					-98 259	-98 259
Receivable CNC government grants	300	-379	-79	187		187
Trade and other receivables	167	-397	-231	328	-63	265
Provisions	3 488	-153	3 336		-156	-156
Deferred CNC government grants	936	-354	582	899	-321	579
Provisions for employee benefits	159		159	257		257
Derivative financial instruments through equity	63		63	50		50
Tax losses carried forward and unused tax credits	2 731	-273	2 459	6 749		6 749
Lease liabilities				104 040		104 040
Trade and other payables	540	-105	435	391		391
Investments in subsidiaries		-447	-447			
TOTAL	**8 476**	**-27 566**	**-19 090**	**117 372**	**-136 553**	**-19 181**
Tax offsetting	-7 049	7 049		-116 145	116 145	
NET DEFERRED TAX ASSETS AND LIABILITIES	**1 427**	**-20 517**	**-19 090**	**1 227**	**-20 408**	**-19 181**

CHANGES IN DEFERRED TAX BALANCES DURING THE YEAR

IN '000 €	2017	RECOGNISED IN PROFIT AND LOSS	RECOGNISED IN OTHER COMPREHEN-SIVE INCOME	ACQUISITIONS THROUGH BUSINESS COMBINATIONS	2018	RECOGNISED IN PROFIT AND LOSS	EFFECT OF EXCHANGE RATE FLUCTUATIONS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	ACQUISITIONS THROUGH BUSINESS COMBINATIONS	**2019**
Property, plant and equipment and intangible assets	-26 095	2 583		-1 856	-25 368	-6 193	-470		-5 342	-37 373
Goodwill							-85		4 175	4 090
Right-of-use assets						-98 259				-98 259
Receivable CNC government grants	517	-596			-79	265				187
Inventories	4	-4								
Trade and other receivables	-636	405			-231	156	-34		374	265
Provisions	4 142	-807			3 336	-3 655	164			-156
Deferred CNC government grants	442	140			582	-3				579
Provisions for employee benefits	145	16	-2		159	-33		130		257
Derivative financial instruments through equity	72	-9			63	8		-20		50
Tax losses carried forward and unused tax credits	4 577	-2 118			2 459	4 254	36			6 749
Lease liabilities						104 040				104 040
Trade and other payables	333	102			435	-56	11			391
Investments in subsidiaries	-479	32			-447	447				
TOTAL	**-16 977**	**-256**	**-2**	**-1 856**	**-19 090**	**971**	**-378**	**110**	**-793**	**-19 181**

The movements in deferred taxes, as a result of the acquisitions of Arcaplex in the Netherlands, El Punt in Spain and MJR Digital Cinemas in the United States (€ -0.8 million), are mainly attributable to the fair value adjustments of the various land and buildings (€ -5.3 million). This deferred tax liability will be included in the result according to the depreciation rate of the Group. In the United States, the deferred tax liability is offset by a deferred tax asset on goodwill created upon acquisition (€ 4.2 million). The goodwill of the acquisition of MJR Digital Cinemas is tax-deductible. This deferred tax asset will be included in the result according to the fiscally accepted depreciation of this goodwill. For more information about business combinations, we refer to note 10.

14. Inventories

IN '000 €	2018	2019
3D glasses	406	424
Goods purchased for resale in cinemas	2 658	3 641
Components inventory, technical department	1 670	1 419
Others	184	367
TOTAL	**4 918**	**5 851**

The cost of sales of inventories recognised in the income statement was € 35.1 million (2018: € 29.5 million).

15. Trade and other receivables

NON-CURRENT OTHER RECEIVABLES

IN '000 €	2018	2019
Cash guarantees	979	1 408
Government grants – CNC	7 663	7 231
Other receivables	2 144	372
TOTAL	**10 786**	**9 011**

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

The other receivables in 2018 mainly consist of a prepayment in Canada with regard to a lease contract. Throughout 2019, the lease commenced and the prepayment was deducted from Right-of-use assets by applying the new standard IFRS 16: Leases. For more information, we refer to note 26.

CURRENT TRADE AND OTHER RECEIVABLES

IN '000 €	2018	2019
Trade receivables	34 541	42 489
Tax receivables, other than income taxes	4 235	5 309
Deferred charges and accrued income	1 564	28
Tax shelter receivables	148	88
Tax shelter investments	304	304
Other receivables	2 206	5 167
TOTAL	**42 998**	**53 385**

Trade receivables increased by € 7.9 million or 23.0%, mainly related to increased activity as of 31 December 2019 compared to last year and due to the expansion of MJR Digital Cinemas (USA), El Punt (ES) and Arcaplex (NL).

The increase in tax receivables, other than income taxes, can be explained by a higher outstanding VAT receivable as at 31 December 2019.

As for the deferred charges, as of 31 December 2018, there was an outstanding receivable in Canada due to future step-up rent over the term of the contract (€ 1.5 million). By applying IFRS 16 on 1 January 2019, this receivable was deducted from Right-of-use assets, resulting in a decrease in deferred charges. For more information, we refer to note 26.

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

Other current receivables as at 31 December 2018 included advance lease payments (€ 0.4 million). By applying IFRS 16 on 1 January 2019, this receivable was deducted from Right-of-use assets. For more information, we refer to note 26.

The other current receivables primarily consist of the current portion of the French sector-related government grants (CNC) for € 2.2 million (2018: € 1,7 million) and the advances on the social security of € 0.6 million (2018: € 0.5 million). In addition, as of 31 December 2019, there is an outstanding receivable related to the acquisition of MJR Digital Cinemas (€ 2.0 million). For more information, we refer to note 10.

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

IN '000 €	2018			2019		
	GROSS CARRYING AMOUNT	IMPAIRMENT	NET CARRYING AMOUNT	GROSS CARRYING AMOUNT	IMPAIRMENT	NET CARRYING AMOUNT
Not yet due on reporting date	45 652	-2	45 650	52 007	-2	52 005
Less than 30 days past due	5 567	-31	5 536	4 861		4 861
Between 31 and 120 days past due	1 138	15	1 153	3 273	-27	3 246
Between 120 days and 1 year past due	1 587	-566	1 021	2 110	-389	1 721
Over 1 year past due	1 428	-1 004	424	1 661	-1 098	563
TOTAL	**55 372**	**-1 588**	**53 784**	**63 912**	**-1 516**	**62 396**

MOVEMENT OF IMPAIRMENT ON TRADE RECEIVABLES

IN '000 €	2018	2019
BALANCE AT END OF PREVIOUS PERIOD	-1 534	-1 588
Recognised impairments	-811	-760
Utilised impairments	-152	169
Reversed impairments	906	668
Effect of exchange rate fluctuations	3	-5
BALANCE AT END OF CURRENT PERIOD	**-1 588**	**-1 516**

The impairments on trade receivables have decreased by € 0.1 million and are in line with prior year.

The value for losses was determined as of 1 January 2018, in accordance with IFRS 9, we refer to note 25.

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

16. Cash and cash equivalents

IN '000 €	2018	2019
Cash at bank and in hand	65 381	72 473
TOTAL	**65 381**	**72 473**
Bank overdrafts considered as cash and cash equivalents in the cash flow statement	-36	-115
CASH AND CASH EQUIVALENTS	**65 345**	**72 358**

There are no significant unavailable cash and cash equivalents.

17. Assets classified as held for sale

IN '000 €	2018	2019
BALANCE AT END OF PREVIOUS PERIOD	2 670	6 991
Transfer from/to assets classified as held for sale	4 422	
Sales and disposals		-4 430
Effect of exchange rate fluctuations	-102	174
Others		-968
BALANCE AT END OF CURRENT PERIOD	**6 991**	**1 767**

The assets held for sale decreased by € 5.2 million during 2019. This decrease is related to the sale of the offices in the complex in 's-Hertogenbosch in the Netherlands (€ 4.2 million) and the sale of the property in Kamloops in Canada (€ 0.3 million).

At the time of the acquisition of Landmark Cinemas at the end of 2017, two complexes were classified as assets held for sale: Fort McMurray and Weyburn. The complex in Weyburn was closed before the end of 2017 for economic reasons, and had already been put up for sale on the market. In the meantime, it was decided to demolish the building in the first quarter of 2020 and only sell the land. As a result, the building has been impaired for an amount of € 0.2 million in 2019 and a net book value of the land remains of € 0.1 million. With regard to the complex in Fort McMurray, the Group has built a new, larger complex in the vicinity of the current complex. The old complex was offered for sale after the opening of the new complex in August 2018. During 2019, an impairment of € 0.7 million was recorded on this complex, resulting in a net book value of € 1.7 million, which is in line with the external valuation. The Group is taking concrete actions to sell these assets, and expects them to be sold within the year.

The decrease was partially offset by an effect of exchange rate fluctuations on Canadian assets held for sale (€ 0.2 million).

18. Equity

The various components of equity, as well as the changes between 31 December 2019 and 31 December 2018, are set out in the consolidated statement of changes in equity.

SHARE CAPITAL

The share capital of the Company at 31 December 2019 was € 19.0 million (2018: € 19.0 million), represented by 27 365 197 ordinary shares without nominal value (2018: 27 365 197 shares). All shares are paid up in full. The share premium at 31 December 2019 was € 1.2 million (2018: € 1.2 million). The ordinary shares are entitled to a dividend, and the holders of these shares are entitled to cast one vote at the shareholder meeting of the Company.

TREASURY SHARES RESERVE

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

The share buyback program, which started on 15 January 2018, was terminated on Tuesday, 12 June 2018. As part of the discontinued share buyback program, Kinepolis Group has bought back 360 000 shares for a total amount of € 20 302 894.16. The total number of treasury shares on 31 December 2019 amounts to 492 346 (2018: 492 346). These shares will be used for the current 2016 option plan.

Furthermore, no treasury shares were sold in 2019 due to exercise of options (2018: 0 shares - € 0.0 million) and no shares were canceled (2018: 0 shares - € 0.0 million).

HEDGING RESERVE

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

TRANSLATION DIFFERENCES

The translation differences include all exchange rate differences resulting from the translation of the financial statements of foreign entities. The increase in 2019 is mainly due to the exchange rate fluctuation of the Canadian Dollar against the Euro. This is partly compensated by the translation differences since the integration into the consolidation of the American subsidiaries and the related exchange rate fluctuation of the American Dollar against the Euro. In addition, some non-current loans with Switzerland, Poland, Canada and the United States are considered as a net investment hedge for the participating interest in the same subsidiaries. Consequently, the translation differences on these loans were included in equity under the other comprehensive income.

SHARE-BASED PAYMENTS RESERVE

A total of 438 000 options were allocated on 31 December 2019 (2018: 420 000 options). These shares entitle their holders to one share per option (we refer to note 20). The options will expire eight years after the date of the approval of the plan by the General Meeting, which is 11 May 2024.

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

NON-CONTROLLING INTERESTS
The participation of Kinepolis Group in Landmark Cinemas Holding, and consequently in Landmark Cinemas Canada, has fallen from 100% to 99.02% since July 2018. This decrease is explained by the co-investment rights received by two members of the management of Landmark Cinemas.

19. Earnings per share

BASIC EARNINGS PER SHARE
The calculation of the profit per share is based on the profit of € 54.4 million, attributable to the ordinary shareholders (2018: € 47.4 million), and on a weighted average of the number of ordinary shares outstanding during the financial year, of 26 872 851 (2018: 26 936 217).

DILUTED EARNINGS PER SHARE
The calculation of the diluted earnings per share is based on the profit of € 54.4 million attributable to the ordinary shareholders (2018: € 47.4 million) and on a weighted average of the number of diluted ordinary shares outstanding during the financial year of 27 084 005 (2018: 27 010 648).

IN '000 (unless indicated otherwise)	2018	**2019**
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY	47 356	54 352
Weighted average number of ordinary shares	26 936	26 873
Effect of options	74	211
Weighted average number of diluted shares	27 011	27 084
BASIC EARNINGS PER SHARE (IN €)	1.76	2.02
DILUTED EARNINGS PER SHARE (IN €)	1.75	2.01

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 Kinepolis share over 30 days preceding the offer. The options will expire eight years after the date of the approval of the plan by the General Meeting.

This new share option plan was offered to the Chairman of the Board of Directors, Executive Management and eligible management staff of the Company or its subsidiaries on 29 December 2016.

As at 28 February 2017, a total of 396 500 options were allocated. On 31 December 2017, a total of 23 500 options were offered to the executive management of Landmark Cinemas. These were granted in full on 5 January 2018. Throughout 2019, 21 000 options were granted and no options were exercised (2018: 0).

The fair value of these share-based payments was estimated when these options were allocated. The Black-Scholes model is used for this.

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

For more information, we refer to note 5.

AMOUNTS IN € (unless indicated otherwise)	12/2016 [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 granted in 2017 can be permanently acquired in tranches. The first tranche of 16.66% was acquired at the time of their granting. The other tranches of 16.66% per year during the five years after their grant date. The options granted in 2018 can be permanently acquired in tranches. The first tranche of 20% was acquired at the time of their granting. The other tranches of 20% per year during the four years after their grant date. The options granted in 2019 can be permanently acquired in tranches. These tranches are different between the grants in April and October. The first tranche of 16.66% / 25% was acquired at the time of their granting. The other tranches of 16.66% / 25% per year during five / three years after their grant date.

AMOUNTS IN € (unless indicated otherwise)	2018		**2019**	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
OUTSTANDING OPTIONS AT END OF PREVIOUS PERIOD	396 500		417 000	
Options allocated during the year	23 500	12.91	21 000	9.40
Options exercised during the year				
Options forfeited during the year	-3 000			
OUTSTANDING OPTIONS AT END OF CURRENT PERIOD	417 000	9.34	438 000	9.34

21. Loans and borrowings

This note provides information on the Group's interest-bearing loans and borrowings. For further information on these loans and borrowings and the Group's exposure to interest and foreign currency risks, we refer to note 25.

NON-CURRENT LOANS AND BORROWINGS

IN '000 €	2018	**2019**
Private placement of bonds	221 000	446 000
Public bond	15 878	15 878
Loans and borrowings with credit institutions	30 355	20 256
Leasing and similar liabilities	6 820	
Transaction costs refinancing	-1 376	-2 621
TOTAL	**272 677**	**479 513**

CURRENT LOANS AND BORROWINGS

IN '000 €	2018	**2019**
Public bond	59 122	
Leasing and similar liabilities	570	
Loans and borrowings with credit institutions	10 098	10 099
TOTAL	**69 790**	**10 099**

Kinepolis Group issued a € 75.0 million bond in March 2012, with maturity in March 2019. The bond was partially extended until June 2023 in June 2015. In March 2019, € 59.1 million was repaid, and, as of 31 December 2019, the remaining outstanding debt is € 15.9 million.

In January 2015, the Group concluded a private placement of bonds with institutional investors for an amount of € 96.0 million. € 61.4 million was placed with a term of 7 years, € 34.6 million with a term of 10 years, both at a fixed interest rate.

In December 2017, the Group concluded a private placement of bonds with institutional investors for € 125.0 million. € 60.0 million was placed with a term of 8 years and € 65.0 million with a term of 10 years, both at a fixed interest rate.

In July 2019, the Group concluded a private placement of bonds with institutional investors for an amount of € 225.0 million. The full amount was placed with a term of 7.5 years and a fixed interest rate.

A credit agreement for a roll-over credit was concluded in 2012. This credit agreement was revised and extended in December 2019. As of 31 December 2019, there is no outstanding draw on the roll-over credit. In addition, this credit facility was extended in December 2015, following the Utopolis acquisition, with a 7-year term loan with annual repayments. In 2017, the credit facility was extended once again with a 5-year term loan with annual repayments. On 31 December 2019, € 30.4 million of the term loans were outstanding (2018: € 40.5 million). For more information, we refer to note 25.

The transaction costs are recognised in the result over the term of the financing. The amount not taken into the result is deducted from the interest-bearing loans; at the end of 2019 this amounts to € 2.6 million (2018: € 1.4 million).

The Group applied the new standard IFRS 16: Leases for the first time on 1 January 2019. As a result, as of 1 January 2019, a reclassification of the finance lease (€ 7.4 million) to Lease liabilities took place, which were previously included in Loans and borrowings. For more information, we refer to note 26.

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

IN '000 €	NOTE	FINANCIAL LIABILITIES			EQUITY			TOTAL
		LOANS AND BORROWINGS	FINANCE LEASE OBLIGATIONS	LEASE LIABILITIES	SHARE-BASED PAYMENTS RESERVE	RETAINED EARNINGS	NON-CONTROLLING INTERESTS	
BALANCE AT 31/12/2018		**335 077**	**7 390**		**-22 830**	**181 872**	**214**	**501 723**
Initial application IFRS 16	26		-7 390	315 491				308 102
BALANCE AT 01/01/2019		**335 077**		**315 491**	**-22 830**	**181 872**	**214**	**809 825**
Cash flow from financing activities								
Investment contributions	26			3 388				3 388
Repayment of lease liabilities	26			-20 918				-20 918
New loans and borrowings	25	225 000						225 000
Repayment of loans and borrowings	25	-69 221						-69 221
Payment of transaction costs with regard to refinancing obligations	25	-1 663						-1 663
Interest paid	7	-12 941						-12 941
Interest received	7					59		59
Interest paid on lease liabilities	26			-9 387				-9 387
Dividends paid	18					-24 723		-24 723
NET CASH FLOW - USED IN / + FROM FINANCING ACTIVITIES		**141 175**		**-26 917**		**-24 664**		**89 594**
Other adjustments								
Interest expenses	7	10 609						10 609
Refinancing cost	25	418						418
Capitalised interest costs	7	217						217
Movement accrued interest 2019	25	2 116						2 116
Movement lease liabilities	26			127 569				127 569
Total other adjustments		13 360		127 569				140 929
Total other equity adjustments						53 777	67	53 844
BALANCE AT 31/12/2019		**489 612**		**416 143**	**-22 830**	**210 985**	**281**	**1 094 192**

22. Provisions

The provisions primarily consist of the restoration of land, transformation expenses and a number of disputes.

UNFAVOURABLE LEASES

A provision was recognised with regard to the unfavourable lease on the Utopolis cinema complex in Almere (NL) when Utopolis was acquired. At 31 December 2018, the provision was € 4.4 million. At the time of the acquisition of Landmark Cinemas, a provision was recognised with regard to the unfavourable lease contracts of the cinema complexes in Edmonton, Kingston, West Kelowna and Kitchener (CA). At 31 December 2018, the provision was € 1.7 million. Additionally, the leasehold inducements were recognised as a provision for unfavourable leases. This provision amounted to € 8.1 million on 31 December 2018. The Group applied the new standard IFRS 16: Leases for the first time on 1 January 2019. As a result, as of 1 January 2019, a reclassification of the provisions for unfavourable leases took place. These were previously recognised in Provisions and decreased Right-of-use assets on 1 January 2019 by € 14.2 million. For more information, we refer to note 26.

SITE RESTORATION

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

At 31 December 2019, the provision for the demolition of the building and the reinstatement of the land to its original state was € 1.3 million (2018: € 1.3 million).

DISPUTES

At 31 December 2019, the provision for disputes was € 1.5 million (2018: € 1.0 million). These relate to disputes regarding personnel matters and disputes from third parties for the purpose of obtaining compensation. When these provisions will be used or taken back depends on the outcome of the related legal disputes, and is therefore uncertain. The estimates and judgements that primarily impact the amount of the provisions are the estimated costs, the expected likelihood and the timing of the cash outflows. They are based on the most recent available information at the balance sheet date.

IN '000 €	2018	2019
BALANCE AT END OF PREVIOUS PERIOD	19 627	16 806
Additions of provisions	210	497
Discounting of provisions	38	38
Use of provisions	-1 714	-193
Reversal of provisions	-880	-94
Effect of exchange rate fluctuations	-474	15
Transfer to Right-of-use assets		-14 236
BALANCE AT END OF CURRENT PERIOD	16 806	2 833
Balance at end of current period (non-current)	14 565	2 284
Balance at end of current period (current)	2 241	549
TOTAL	**16 806**	**2 833**

23. Trade and other payables

NON-CURRENT OTHER PAYABLES

IN '000 €	2018	2019
Deferred government grants - CNC	6 735	6 028
Leasehold inducements Canada	3 252	
Other payables	990	911
TOTAL	**10 977**	**6 939**

The non-current other payables primarily comprise the government grants that can be claimed from the CNC in France based on the number of visitors. These government grants of € 6.0 million (2018: € 6.7 million) are recognised as other operating income in line with the depreciation of the assets for which these grants were obtained.

At the end of 2018, there was an outstanding payable due to leasehold inducements for the leased buildings in Canada (€ 3.3 million). The Group applied the new standard IFRS 16: Leases for the first time on 1 January 2019. As a result, as of 1 January 2019, a reclassification of the leasehold inducements Canada took place. These were previously recognised in Non-current other payables and decreased Right-of-use assets on 1 January 2019 by € 3.3 million. For more information, we refer to note 26.

CURRENT TRADE AND OTHER PAYABLES

IN ’000 €	2018	2019
Trade payables	83 461	108 912
Employee benefits liabilities	11 539	13 243
Accrued charges and deferred income	5 498	3 362
Tax payables, other than income tax	5 244	6 614
Other payables	586	609
TOTAL	**106 328**	**132 740**

Trade payables increased by € 25.5 million, mainly related to increased activity as of 31 December 2019 compared to last year and due to the expansion of MJR Digital Cinemas (USA), El Punt (ES) and Arcaplex (NL).

On 31 December 2019, the accrued interest expenses related to the public and private bonds issued were € 3.2 million (2018: € 5.4 million). The deferred income was € 0.1 million (2018: € 0.1 million).

On 31 December 2018, there was an outstanding debt due to leasehold inducements for the leased buildings in Canada (€ 0.3 million). As of 1 January 2019, the Group applies the new standard IFRS 16: Leases. As a result, as of 1 January 2019, a reclassification of Canada’s leasehold inducements has taken place. These were previously included in Current other payables and reduced Right-of-use assets on 1 January 2019 by € 0.3 million. For more information, we refer to note 26.

24. Current tax assets and liabilities

IN ’000 €	2018	2019
Current tax assets	2 416	1 303
Current tax liability	5 337	2 574

The current tax assets amount to € 1.3 million (2018: € 2.4 milion). Current tax assets consist of prepayments as well as an obtained investment deduction in the Netherlands (€ 0.6 million), prepayments in Spain (€ 0.3 million) and disputed tax assets in France (€ 0.8 million), partially offset by the tax liability in France of 2019 (€ -0.4 million).

Current tax liabilities decreased from € 5.3 million to € 2.6 million mainly due to higher advance payments compared to last year, mainly in Belgium and Luxembourg.

25. Risk management and financial instruments

RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT
The Group’s principal financial instruments are bank loans, private and public bonds, lease liabilities and cash.

The Group has various other financial instruments, such as trade and other receivables and payables, which arise directly from its operations.

The Group also enters into derivative financial instruments, primarily forward rate agreements, interest rate swaps and foreign exchange forwards. The purpose is to manage the interest rate risks and foreign currency risks arising from the Group’s activities and its sources of financing.

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

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

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

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

Group policy is to manage interest rate expenses with a mixture of fixed and variable interest rate liabilities. To manage this mix in a cost-efficient manner, the Group can enter into certain transactions:

- Interest rate swaps and forward contracts in which the Group agrees to exchange, at specified intervals, the difference between the fixed and variable interest amounts, calculated by reference to a pre-agreed principal amount;
- Interest rate derivatives with fixed ceilings, hence limiting the impact of interest rate fluctuations.

The Group pursues a conservative financial policy and, since 2008, only uses derivative financial instruments to hedge the interest rate risk. At the balance sheet date, the Group had only interest rate swaps outstanding, on which the Group receives a variable interest rate equal to EURIBOR and pays a fixed interest rate. These swaps are used to cover the variability in the cash flows of the underlying loans. These interest rate swaps are classified as cash flow hedges in accordance with IFRS 9 hedge accounting. The effective portion of the change in fair value of the interest rate swap, which can be considered to be an effective hedge, is therefore recognised directly in equity. The total changes in the fair value of the interest rate swaps before deferred tax and recognised in equity gives rise to a € 0.0 million increase in equity on 31 December 2019 (2018: € 0.0 million).

On 31 December 2019, taking into account the effect of interest rate swaps, 97.45% of the Group's borrowings had been contracted at a fixed interest rate (2018: 95.14%).

INTEREST RATE RISK SENSITIVITY ANALYSIS
The interest-bearing loans at the balance sheet date were € 489.6 million (2018: € 342.5 million). € 30.4 million or 6.2% of the interest-bearing loans have a variable interest rate, without taking into account the effect of the interest rate swaps (2018: € 40.5 million or 11.8%).

Total interest expenses, excluding interest expenses on lease liabilities, charged to the income statement in 2019 amount to € 11.0 million (2018: € 10.4 million).

The loan of € 41.6 million with variable interest was fixed with an interest rate swap at the beginning of 2016. The outstanding balance at the end of 2019 was € 17.8 million (2018: € 23.7 million).

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

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

Derivative instruments can be used at any time to hedge this risk.

Up to the moment of the acquisition of Landmark Cinemas in Canada in 2017 and the acquisition of MJR Digital Cinemas in the United States in 2019, the sales of the Group companies in currencies other than the functional currency were limited. The purchases of the subsidiaries of the Group mainly concern the purchases of materials by the Group in US and Canadian Dollar. On 31 December 2019, the Group had no outstanding forward exchange contracts (2018: $ 0.0 million) with the intention of hedging this risk.

Loans between Kinepolis Financial Services NV or Kinepolis 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 Kinepolis Financial Services NV to Kinepolis Canada LTD, Kinepolis Schweiz AG and Kinepolis Poznań Sp.z o.o, as well as from Kinepolis Group NV to Kinepolis US Inc are recognised in other comprehensive income, as these loans are considered to be part of the Group's net investment in these foreign entities. The following foreign exchange rate results were recorded directly in equity, before tax:

IN '000 €	2018	2019
Canadian Dollar	506	3 303
US Dollar		-1 891
Polish Złoty	-1 353	-1 278
Swiss Franc	1 044	1 460
TOTAL	**197**	**1 594**

The Group is also exposed to a foreign currency risk due to the inclusion in the consolidation of foreign companies that do not have the Euro as their functional currency (Canada, United States, Switzerland and Poland). This translation risk is not hedged. Only the Canadian Dollar, and, since 2019, also the US Dollar, have a material effect.

The table below states the possible exchange rate changes for the Canadian Dollar, US Dollar, Polish Złoty and Swiss Franc against the Euro, estimated on the basis of theoretical volatility. The theoretical volatility has been determined based on the evolution of the exchange rates over the past 5 years, and this for all foreign currencies.

SENSITIVITY ANALYSIS FOR FOREIGN CURRENCY RISK

1 EURO CORRESPONDS TO:	CLOSING RATE 31/12/2019	AVERAGE RATE 2019	THEORETICAL VOLATILITY	POSSIBLE CLOSING RATE 31/12/2019	POSSIBLE AVERAGE RATE 2019
Canadian Dollar	1.4598	1.4855	10%	1.31 - 1.61	1.34 - 1.63
US Dollar	1.1234	1.1195	10%	1.01 - 1.24	1.01 - 1.23
Polish Złoty	4.2585	4.2976	10%	3.83 - 4.68	3.87 - 4.73
Swiss Franc	1.0854	1.1124	10%	0.98 - 1.19	1.00 - 1.22

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 profit would have been € 0.8 million lower (2018: € 0.6 million lower at 10% theoretical volatility) or € 0.6 million higher (2018: € 0.5 million higher at 10% theoretical volatility), and equity would be € 16.1 million higher at the end of 2019 or € 13.2 million lower (2018: € 6.6 million higher or € 5.4 million lower at 10% theoretical volatility). Only the Canadian Dollar and the US Dollar have a material impact in the above sensitivity analysis.

CREDIT RISK

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

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

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

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

In order to assess the materiality of the provision for impairments losses, Kinepolis conducted an analysis over a five-year period (2015-2019). The Group recognised an average of 0.01% (2013-2018: 0.01%) compared to total revenue, which is considered to be immaterial. The majority of the activities of the Group are cash-based transactions. It is Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the receivable balance is monitored on an ongoing basis. Based on the above analysis, the Group decided that the impact of the model based on expected credit losses over the full life cycle of Kinepolis Group is immaterial.

With regard to credit risk from the other financial assets of the Group, including cash and cash equivalents, financial assets measured at fair value through other comprehensive income and certain derivative financial instruments, the Group's exposure to credit risk consists of the counterparty default risk, with a maximum exposure equal to the carrying amount of these instruments.

There are no significant concentrations of credit risk within the Group. The Group has no clients that account for more than 10% of revenue.

LIQUIDITY RISK

The Group's goal is to ensure that there is sufficient financing for the long term. The financing need is determined on the basis of the strategic long-term plan. Various credit forms are used to guarantee the continuity and flexibility of the financing, including bonds, credit lines and bank loans. The Group's liquidity is managed through the in-house bank, Kinepolis Financial Services NV. The Group's financing objective is to align the term of its credit lines with the timing of the assumed liabilities relating to the expansion.

CAPITAL MANAGEMENT

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

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

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

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 2018 amounts to 492 346. These shares are intended to cover the Group's current stock option plan. The Group held 492 346 treasury shares at the end of 2019. No shares were bought back in 2019.

FINANCIAL INSTRUMENTS

DEBT PORTFOLIO

On 15 February 2012, within the framework of the refinancing of its existing syndicated credit and the financing of the further general development of the Group, 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 banking consortium, and the roll-over credit was expanded from € 90.0 million to € 120.0 million. Of this, € 30.0 million can be drawn in a currency other than Euro. In addition, the term was extended to December 2024, with a possible additional two-year extension option to December 2026. On 31 December 2019, there is no open drawing on this credit facility.

In addition, this credit facility was extended in December 2015, following the Utopolis acquisition, with a 7-year term loan with annual repayments. In 2017, the credit facility was extended once again, with a 5-year term loan with annual repayments. On 31 December 2019, € 30.4 million of the term loans were outstanding (2018: € 40.5 million).

On 6 March 2012, the Group issued an unsubordinated bond in Belgium for € 75.0 million. The bonds mature in seven years, and have a fixed annual gross interest of 4.75%. On 12 May 2015, 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.

No securities were provided. Only a number of conditions apply with regard to the sale or provision of certain of the Group's assets to a third party as security. The credit agreement includes certain financial covenants. The calculation of the covenants as well as the maximum or minimum values were adjusted during the revision of the credit agreement in 2019. The financial covenants consist of a maximum leverage ratio of 3.75 (2018: 3.5), which temporarily increases to 4.25 in the case of a material acquisition, and a minimum interest coverage ratio of 4.5 (2018: 4.5). The minimum solvency ratio of 20% no longer applies. In addition, there are a number of potentially restrictive commitments that restrict or prohibit certain trading transactions. All these covenants were met in 2019, as they were in 2018. The covenant analysis also shows that there is still sufficient financial room available.

The definitions of the covenants have been adapted to the new standard IFRS 16: Leases. As such, for the determination of the leverage ratio, among other things, the net financial debt is corrected for the lease liabilities on the one hand, and the EBITDA is corrected for the impact of IFRS 16 on the EBITDA on the other.

The interest payable on term loans is calculated on the basis of the EURIBOR applicable for the selected borrowing period, plus the negotiated margin. The average interest rate of the debt portfolio on 31 December 2019 was 2.70% (2018: 2.98%). As the vast majority (more than 95%) of the loans are at a fixed interest rate, no sensitivity analysis was performed for the remaining variable part.

In the context of the acquisition of the Wolff Bioscopen group in 2014, the lease of the complex in Groningen (NL) was renegotiated for a period of 17 years and was classified as a finance lease.

The lease obligation at the start of the new contract was determined by discounting the future rental payments of the Group on the basis of the marginal interest rate of the Group, as the implicit interest rate of the lease was not available. This debt amounted to € 6.8 million on 31 December 2019 (2018: € 7.3 million). The Group applied the new standard IFRS 16: Leases for the first time on 1 January 2019. As a result, as of 1 January 2019, a reclassification of the finance lease to Lease liabilities took place, which were previously included in Loans and borrowings. For more information, we refer to note 26.

FINANCIAL LIABILITIES – FUTURE CASH FLOWS

The following table gives an overview of the contractual maturities for the financial liabilities at 31 December 2019, including the estimated interest payments:

IN '000 €	**2019** (1)			
	< 1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL
Private placement of bonds	12 256	107 109	405 156	524 521
Bond	635	17 783		18 418
Trade payables	108 912			108 912
Loans and borrowings with credit institutions	10 481	20 632		31 113
Bank overdrafts	115			115
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**

(1) In accordance with IFRS 7, the lease liabilities are no longer stated here.

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

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

IN '000 €	2018		**2019**	
	TOTAL	< 1 YEAR	TOTAL	< 1 YEAR
Loans and borrowings with credit institutions	40 454	10 099	30 355	10 099
Bank overdrafts	36		115	
TOTAL	**40 490**	**10 099**	**30 470**	**10 099**

HEDGING ACTIVITIES

The Group uses derivative financial instruments to hedge the interest rate risk and the foreign currency risk. All derivative financial instruments are measured at fair value. The following table gives the remaining term of the outstanding derivative financial instruments at balance sheet date. The amounts given in this table are the nominal values.

IN '000 €				**2019**
	< 1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL
Interest rate swaps	5 949	11 856		17 805
TOTAL	**5 949**	**11 856**		**17 805**

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

FAIR VALUE

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

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

IN '000 €	2018		**2019**	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Private placement of bonds – fixed interest rate	221 000	224 008	446 000	452 610
Public bond – fixed interest rate	75 000	78 943	15 878	17 037
Interest-bearing loans – variable interest rate	40 454	40 454	30 355	30 355
Lease obligations – fixed interest rate (1)	7 390	7 648		
Bank overdrafts	36	36	115	115
Transaction costs refinancing	-1 376	1 376	-2 621	-2 621
TOTAL	**342 504**	**349 712**	**489 727**	**497 496**

(1) In accordance with IFRS 7, the fair value of the lease liabilities is no longer stated here.

The fair value of public bond with fixed interest rate (Level 2) was determined by discounting future cash flows based on an interest rate of 2.08% (2018: 0.34% for the portion of the bond with maturity in 2019 and 2.19% for the part of the bond with maturity in 2023).

The fair value of the private bond of 2015 with fixed interest rate (Level 2) was determined by discounting the future cash flows based on an interest rate of 1.96% (2018: 1.77%) for the bond with a term of 7 years, and 2.47% (2018: 2.48%) for the part of the bond with a term of 10 years.

The fair value of the private bond of 2017 with fixed interest rate (Level 2) was determined by discounting the future cash flows based on an interest rate of 1.98% (2018: 2.50%) for the bond with a term of 8 years, and 2.63% (2018: 2.96%) for the part of the bond with a term of 10 years.

The fair value of the private bond of 2019 with fixed interest rate (Level 2) was determined by discounting the future cash flows based on an interest rate of 2.66% for the bond with a term of 7.5 years.

In order to determine the fair value of the lease liabilities (Level 2) by discounting the future cash flows, an interest rate of 2.68% was used in 2018 for the leased complex in Groningen (NL).

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

The following table gives the nominal or contractual amounts and the actual fair value of all outstanding derivative financial instruments (cash flow hedging instruments). The nominal or contractual amounts reflect the volume of the derivative financial instruments outstanding at the balance sheet date. As such, they represent the Group's risk on these transactions.

IN '000 €	2018		2019	
	NOMINAL VALUE	FAIR VALUE	NOMINAL VALUE	FAIR VALUE
Interest rate swap	23 754	-211	17 805	-169
TOTAL	**23 754**	**-211**	**17 805**	**-169**

The fair value of financial instruments related to the interest rate is determined by discounting the expected future cash flows, taking account of the current market interest rates and the interest rate curve for the remaining life of the investment. There were no outstanding foreign exchange forward contracts at 31 December 2019.

The fair value of the derivative instruments is included in the balance sheet of the Group as follows (value before taxes):

IN '000 €	2018			2019		
	ASSETS	LIABILITIES	NET VALUE	ASSETS	LIABILITIES	NET VALUE
Non-current		-211	-211		-169	-169
TOTAL		**-211**	**-211**		**-169**	**-169**

The change in the fair value of the derivative financial instruments on the balance sheet is as follows:

IN '000 €	NOMINAL VALUE	CARRYING AMOUNT		INCLUDED IN THE FOLLOWING LINE ITEM IN THE STATEMENT OF FINANCIAL POSITION	CHANGES IN THE FAIR VALUE OF THE HEDGING INSTRUMENT INCLUDED IN OTHER COMPREHENSIVE INCOME
		ASSETS	LIABILITIES		
Interest rate swap	17 805		-169	Derivative financial instruments	42

FAIR VALUE - HIERARCHY

The following table provides an overview of financial instruments recognised at fair value by the valuation method. The different levels are defined as follows:

- Level 1: quoted market prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs that do not refer to any quoted market prices included in Level 1, and that are observable for the asset or the liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset that is, or the liability that is not based on observable market data (unobservable input).

IN '000 €	2017			2018			2019		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Cash flow hedging – Currency									
Interest rate swaps		-214			-211			-169	
Financial liabilities measured at fair value									
Contingent considerations			428						
TOTAL		**-214**	**428**		**-211**			**-169**	

LEVEL 3 FAIR VALUE

There were no contingent considerations on 31 December 2019. On 31 December 2018, the fair value of the contingent considerations was € 1.7 million. The contingent consideration amounting to € 1.7 million related to the acquisition of NH Bioscopen was already paid and is therefore not included in the balance sheet on 31 December 2018, but is still subject to the condition of the receipt of the building permit. The building permit was granted in 2019, and construction started in mid-October 2019. The cinema is scheduled to open in the fourth quarter of 2020.

SENSITIVITY ANALYSIS OF FAIR VALUES AT LEVEL 3

The possible change in the significant unobservable input listed below, in which the other inputs remaining constant, would reasonably have the following effect on the fair value of the contingent consideration at the balance sheet date:

IN '000 €	2018	2019
Contingent considerations: NH cinemas: building permit obtained	1 700	
Contingent considerations: NH cinemas: no building permit obtained	0	

26. Leases

LEASES AS LESSEE

OPENING BALANCE AT 1 JANUARY 2019

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

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

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

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

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

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

The above amounts are the opening balances per 1 January 2019.

CLOSING BALANCE AT 31 DECEMBER 2019

Right-of-use assets

IN '000 €	LAND AND BUILDINGS	CARS	IN-THEATRE SALES	PROJECTION EQUIPMENT	TOTAL
Acquisition value	288 728	2 610	833		292 171
Transfer of Property, plant and equipment (finance lease)	6 702				6 702
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
NET CARRYING AMOUNT AT 31/12/2019	**389 795**	**3 397**	**790**	**3 229**	**397 212**

Lease liabilities

IN '000 €	TOTAL
Opening balance at 01/01/2019	308 102
Transfer of 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**

As of 31 December 2019, the Group has a lease liability of € 416.1 million and a right-of-use asset of € 397.2 million through the application of IFRS 16. During 2019, the lease liabilities increased by € 100.7 million and the right-of-use assets by € 98.3 million, mainly as a result of the impact of the acquisitions in 2019 (see below for further explanation).

NEW LEASES

The new leases mainly concern the newly opened cinema complexes in 2019 that are leased: Servon (€ 5.0 million), Market Mall (€ 6.7 million) and Regina (€ 10.3 million). In addition, new leases were also concluded for cars (€ 2.1 million) and for in-theatre sales equipment (€ 0.1 million). This has resulted in a total additional lease liability of € 23.2 million and an increase in right-of-use assets of € 27.8 million. Due to reclassifications of advance lease payments and leasehold inducements to right-of-use assets, there is a difference of € 1.1 million between the new right-of-use assets and the new lease liabilities. In addition, the RealD 3D equipment used by the Group is also included under the right-of-use assets (€ 3.5 million). As these assets are fully prepaid, there is no outstanding lease liability for these assets.

ACQUISITIONS THROUGH BUSINESS COMBINATIONS

Due to various acquisitions that the Group has made during 2019, the lease liabilities and the right-of-use assets have increased by € 73.0 million. This is due, on the one hand, to the acquisition of the Spanish cinema group El Punt (€ 18.1 million) with regard to the leased cinema complex 'Full' in Barcelona and to the acquisition of the American cinema group MJR Digital Cinemas (€ 54.9 million), with three leasehold sites and three leased cinema complexes, on the other. For more information about business combinations, we refer to note 10.

ADJUSTMENTS

A number of leases were adjusted during 2019, mainly due to an extension of the contractual term and indexations of future rental amounts. In addition, the Group received leasehold inducements for contracts already started, which were deducted from the right-of-use assets. All this led to an adjustment of the lease liabilities of € 11.0 million and an adjustment of the right-of-use assets of € 8.6 million.

IMPACT ON THE CONSOLIDATED RESULT AND THE CASH FLOW STATEMENT

As of 31 December 2019, through the application of IFRS 16, the Group has realised an increase in EBITDA to an amount of € 27.3 million and an increase in depreciations and interest costs of € 24.5 million and € 9.4 million, respectively. Consequently, there is a negative impact of € -6.3 million on the net result in 2019. These amounts are before tax effects. The impact on taxes is € 1.9 million. The Group repaid € 30.3 million in lease liabilities in 2019, of which € 9.4 million was interest.

FINANCIAL LIABILITIES – FUTURE CASH FLOWS

The following table gives an overview of the contractual maturities for the non-discounted lease liabilities as of 31 December 2019:

IN '000 €	**2019**			
	< 1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL
NON-DISCOUNTED LEASE LIABILITIES	**33 764**	**126 221**	**357 188**	**517 173**

NOT INCLUDED UNDER IFRS 16

The Group has decided to make use of the option of exemption from recognition under IFRS 16 for short-term leases and leases in which the underlying asset has a low value. The operational lease cost related to the exempt short-term leases amounts to € 0.3 million in 2019. Leases for which the underlying asset has a low value include compactors and ATMs. The operational lease cost related to these exempt leases amounts to € 0.1 million in 2019. A total of € 0.4 million in operational lease cost was paid in 2019 for these exempt leases. This is classified in the consolidated cash flow statement under 'Cash flow from operating activities'.

In addition, the variable lease liabilities are also not recognised under IFRS 16. The total operational lease costs of this amount to € 0.9 million in 2019. This has led to the same outgoing cash flow that is classified in the consolidated cash flow statement under 'Cash flow from operating activities'.

The main parameters of variable lease liabilities are the realised revenue and the number of visitors. The Group has performed a sensitivity analysis with possible changes in the variable lease liabilities, estimated on the basis of a theoretical volatility of both revenue and number of visitors. If the revenue and the number of visitors were to increase by 10%, the total operational lease cost of the variable lease liability would increase to € 1.4 million. If the revenue and the number of visitors were 10% lower, the total operational lease cost of the variable lease liability would decrease to € 0.4 million.

As of 31 December 2019, the Group has already entered into lease commitments for contracts that will start in the course of 2020. These are therefore not yet recognised at the balance sheet date, nor are they included in the statement of future cash flows, but they will entail a future outgoing cash flow of non-discounted lease liabilities of € 22.4 million over the entire term of the contracts.

If the Group were to exercise all the possible extension options that it has available in the contracts as of 31 December 2019, there would be an additional cash outflow from non-discounted lease liabilities of € 208.3 million over the entire life of the included contracts. As of 31 December 2019, the Group is of the opinion that these additional possible extension options will not yet be exercised with reasonable certainty, as a result of which they are not included in the ending balance of the lease liabilities. If the Group only takes the contractually agreed extension options, the lease liability would decrease from € 416.1 million to € 271.1 million.

RECONCILIATION OF THE OPENING BALANCE BETWEEN IAS 17 AND IFRS 16 DATA

Below, you can find the reconciliation between the operational lease liabilities as at 31 December 2018, under application of IAS 17, and the opening balance sheet of the lease liabilities as at 1 January 2019, under application of IFRS 16.

IN '000 €	
Operational lease liabilities as at 31 December 2018	243 136
Effect of exchange rate fluctuations	-1 194
Discounting by using the discount rate per 1 January 2019	-37 801
Finance lease obligations as at 31 December 2018	7 389
Exemption from recognising:	
Short-term leases	-206
Leases with low value	-351
Extension options exercised with reasonable certainty	105 857
Adjustments based on an index or a rate	-1 339
LEASE LIABILITY RECOGNISED AS OF 01/01/2019	**315 491**

Under IAS 17, the operating lease liability amounted to € 243.1 million, while under IFRS 16 a lease liability of € 315.5 million was recognised in the opening balance. The difference is explained by:

- A discounting effect by using the discount rate as at 1 January 2019, which decreased the operational lease liability under IAS 17 by € 37.8 million;
- An increase of € 7.4 million as a result of the finance lease obligations that were already recognised as a finance lease under IAS 17;
- The options to extend the contract that the Group will exercise with reasonable certainty, which increased the lease liability by € 105.9 million;
- Adjustments based on an index or future rental amounts of € -1.3 million;
- Leases exempt from recognition under IFRS 16, which are short-term leases (€ -0.2 million) and leases of which the underlying asset has a low value (€ -0.4 million);
- An exchange rate effect of € -1.2 million.

LEASES AS LESSOR

The Group has leased out parts of its property under operational leases. The future minimum lease payments under non-cancellable leases are as follows:

IN '000 €	2018	2019
Less than one year	8 764	8 618
Between one and two years	5 275	4 969
Between two and three years	3 648	2 847
Between three and four years	2 054	1 831
Between four and five years	1 658	1 736
More than five years	4 192	4 645
TOTAL	**25 591**	**24 645**
Minimum lease payments in the income statement with regard to operational leases	9 408	9 405
Variable lease payments in the income statement with regard to operational leases	1 164	1 067

The leases as lessor primarily concern the multiplex in Poznań (PL), leased to Cinema City since January 2007 for a term of 10 years, extended by 5 years. The rent consists of a fixed and a variable portion, the latter is expressed as a percentage of Box Office revenue. This variable rent was € 0.2 million in 2019 (2018: € 0.4 million).

The Group also leases part of its complexes to third parties for the exploitation of shops or cafés. These concessions have a term of 1 to 20 years (renewable), unless they are agreed for an undefined term.

Finally, the car parks of a number of complexes are leased for a period of 1 to 15 years (renewable) or for an indefinite term in Belgium, for a period of 9 years or for an indefinite term in Luxembourg or for an indefinite term in Poland and France. A fixed rent is charged for part of these car parks. The revenue from the other car parks is variable, based on the number of parking tickets sold, adjusted for management expenses.

27. Capital commitments

At the end of 2019, the Group had material capital commitments for € 13.9 million (2018: € 7.9 million). This mainly concerns commitments with regard to the construction or finishing of new cinemas for € 13.5 million (2018: € 6.0 million) in Haarlem (NL), South East Edmonton (CA) and Metz (FR). Furthermore, this also relates to the commitments for the installation of 3D equipment in cinemas for € 0.4 million (2018: € 1.9 million).

28. Contingencies

KFD

At the end of 2019 the Group had unrecognised contractual obligations for € 1.9 million (2018: € 2.3 million). These are primarily minimum guarantee commitments of Kinepolis Film Distribution NV toward Dutch Filmworks BV for films that have not yet been released, but for which contractual obligations already exist.

29. Related parties

The transactions between the Group and its subsidiaries were eliminated in the consolidation, and are accordingly not included in this note. The transactions with other related parties are explained below.

REMUNERATION OF THE DIRECTORS AND EXECUTIVE OFFICERS

IN '000 €	2018	**2019**
Directors		
Remuneration	782	935
Executive officers (CEO) (1)		
Short-term employee benefits	1 474	1 146
Group insurance	4	
TOTAL	**2 260**	**2 081**

(1) Up to the date of the General Meeting of the Shareholders on 9 May 2018, Joost Bert was the co-CEO of the Group. As of that date, he was appointed Chairman of the Group.

Under the Group's current 2016 stock option plan (Incentive Plan), no new options were granted to the Group's CEO, the Chairman and the Vice-Chairman of the Board of Directors in 2019. They did participate in this in 2017 (180 000 options) (we refer to note 20). For more information, please refer to the remuneration report in the Corporate Governance Statement.

TRANSACTIONS WITH OTHER RELATED PARTIES

Kinohold BIS SA provides certain administrative services to the Group, for which it charged € 0.1 million in 2019 (2018: € 0.2 million).

Pentascoop NV provides a number of maintenance and transport services to the Group, for which it charged € 0.2 million in 2019 (2018: € 0.2 million). € 0.1 million had not yet been paid at the end of the year (2018: € 0.1 million).

30. Subsequent events

FURTHER DEVELOPMENTS WITH REGARD TO EASING THE BEHAVIOURAL CONDITIONS IMPOSED ON KINEPOLIS GROUP

In response to the request of Kinepolis Group NV for cancellation of the behavioural measures that were imposed on it in 1997 by the Belgian Competition Council, the Belgian Competition Authority decided on 31 May 2017 to relax these conditions and to no longer subject the opening of new cinemas in Belgium to its prior permission from 31 May 2019. The other behavioural measures, such as the need to obtain prior approval for the acquisition of existing Belgian cinemas and the prohibition to request exclusivity or priority from film distributors, have been maintained for a renewable period of three years. Two Belgian cinema groups appealed against the decision of the Belgian Competition Authority of 31 May 2017.

After the partial annulment of the decision of the Belgian Competition Authority of 31 May 2017 by the Court of Appeal in Brussels on 28 February 2018, which eased the conditions of conduct imposed on Kinepolis Group, the aforementioned Authority issued a new, well-founded decision on 26 April 2018 . The decision confirmed the earlier relaxation of the conditions, whereby the opening of new cinema complexes in Belgium is no longer subject to the prior permission from the Competition Authority, but allows this to take effect from 26 April 2020. An appeal was again lodged against this decision of 26 April 2018.

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

BELGIAN EXCESS PROFIT RULING (EPR)

On 11 January 2016, the European Commission published a decision that a purported regime of Belgian tax rulings with regard to 'Excess Profit' should be considered as illegal state aid. The decision of the European Commission obliges the Belgian government to make an additional claim for tax that would have been owed if such tax rulings had not been applied.

The Belgian tax authority has granted such a tax ruling to Kinepolis Group in 2012. As a consequence of the decision of the European Commission, and in accordance with IAS 12, Kinepolis set up a provision of € 9.4 million in 2015 for a potential additional claim for tax on the excess profit that was not included in the taxable base due to the ruling. The amount of the provision fully covers the potential liability, including interest charges. In June 2016, the Belgian government issued several communications, which provide information on the methodology that should be used to determine the amount of the taxes to be recovered. The € 9.4 million EPR provision complies with the methodology communicated.

Disputed assessments were established for the financial years 2012, 2013 and 2014, and € 6.3 million has been paid. With respect to the fiscal year 2015, an assessment was established in January 2018 for € 3.0 million, which was already paid with the funds consigned in July 2017.

The Belgian government and Kinepolis lodged an appeal against the EPR Decision with the European Court of First Instance. These appeals resulted in a judgement of 14 February 2019, by which the European Court of First Instance annulled the EPR decision.

The Commission appealed against this judgement on 24 April 2019. In addition, on 16 September 2019, the European Commission informed the Belgian State that it will initiate individual in-depth investigations into the excess profit ruling for 39 companies, including Kinepolis. The Belgian State asked those concerned to comment on the individual in-depth investigations, and Kinepolis has submitted its comments to the Belgian State. The decision to open an individual in-depth investigation will also be published, after which Kinepolis will also have the opportunity to submit its individual comments to the European Commission. It is not yet clear when the final decision will be made for Kinepolis.

KINEPOLIS HAARLEM CONSTRUCTION STARTED

Kinepolis started the construction of a new cinema in the Schalkwijk Centre in Haarlem, the Netherlands, in mid October 2019. The cinema complex will have 6 screens and 934 seats, and all the screens will have laser projection technology. Kinepolis expects to receive around 330 000 visitors per year. The opening of a new cinema fits in with the redevelopment of Schalkwijk Centre. The project for the new cinema in Haarlem was acquired by Kinepolis as part of the acquisition of NH Cinemas in January 2018. The cinema is scheduled to open in the fourth quarter of 2020.

LANDMARK CINEMAS WORKING ON A NEW CINEMA IN SOUTH EAST EDMONTON

Landmark Cinemas Canada and the Forster Harvard Development Corp. announced in 2019 that Landmark Cinemas is bringing its premium 'recliner' cinema experience to the 'Grove on 17' site in the Tamarack region, in South East Edmonton, Canada. The opening is planned for the fourth quarter of 2020. All eight film screens will be equipped with the Landmark luxury 'recliner' seat concept in a complete stadium layout. The new cinema with eight screens will also be equipped with Barco laser projection from Cinionic. Kinepolis expects to receive around 400 000 visitors per year in this complex.

NEW-BUILD PROJECT METZ WAVES

In the fourth quarter of 2020, Kinepolis plans to open a new cinema in the Waves-Actisud commercial centre in Moulins-lès-Metz. The cinema will have 6 screens and around 900 seats. Kinepolis expects to receive around 300 000 visitors per year in this new French complex.

NEW-BUILD PROJECT MALL OF THE NETHERLANDS

Kinepolis is also planning to open a new cinema in the fall of 2020, as part of the Mall of the Netherlands project in Leidschendam. The 'Mall of the Netherlands' is a project by Unibail-Rodamco, in which the Leidsenhage shopping centre will be transformed into the largest shopping centre in the Netherlands. The cinema will have 11 screens and Kinepolis expects to receive approximately 500 000 visitors per year.

IMPACT OF THE CORONA – COVID-19 PANDEMIC ON THE OPERATING PROFIT

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

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

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

31. Mandates and remuneration of the Statutory Auditor

The Statutory Auditor for the Company is KPMG Bedrijfsrevisoren, represented by Mr. S. Cosijns. The mandates and remunerations for the entire Group can be summarised as follows:

IN '000 €	2018	2019
Remuneration of the statutory auditor	316	310
Other audit-related services	22	86
Tax advisory services		
Other assignments outside the audit assignments	6	10
Remuneration for other services or assignments performed within the Company and its subsidiaries by the statutory auditor	28	96
Remuneration for persons associated with the statutory auditor for the performance of a mandate as statutory auditor	446	537
Other audit-related services	34	2
Tax advisory services	26	23
Other assignments outside the audit assignments		9
Remuneration for other services or assignments performed within the Company and its subsidiaries by persons associated with the statutory auditor	60	34
TOTAL	850	976

32. Group entities

LIST OF THE FULLY CONSOLIDATED COMPANIES

COUNTRY	NAME	MUNICIPALITY	VAT OR COMPANY REGISTRATION NUMBER	% 2018	% 2019
Belgium	Brightfish NV	Brussels	BE 0450 523 725	100	100
	Kinepolis Braine SA	Braine-L'alleud	BE 0462 688 911	100	100
	Kinepolis Film Distribution (KFD) NV	Brussels	BE 0445 372 530	100	100
	Kinepolis Financial Services NV	Brussels	BE 0886 547 831	100	100
	Kinepolis Group NV	Brussels	BE 0415 928 179	100	100
	Kinepolis Immo Hasselt NV	Hasselt	BE 0455 729 358	100	100
	Kinepolis Immo Multi NV	Brussels	BE 0877 736 370	100	100
	Kinepolis Liège NV	Hasselt	BE 0459 469 796	100	100
	Kinepolis Mega NV	Brussels	BE 0430 277 746	100	100
	Kinepolis Multi NV	Kortrijk	BE 0434 861 589	100	100
	KP Immo Brussel NV	Brussels	BE 0816 884 015	100	-
	Utopia Belgium NV	Brussels	BE 0466 339 772	100	-
Canada	Kinepolis Canada LTD	Calgary	CA 2020 757 353	100	100
	Landmark Cinemas Holding LTD	Calgary	CA 2020 757 536	99.02	99.02
	Landmark Cinemas Canada LP	Calgary	CA 2017 564 317	99.02	99.02
	Landmark Cinemas Canada GP	Calgary	CA 2017 564 317	100	100
France	Eden Panorama SA	Lomme	FR 02340483221	100	100
	Forvm Kinepolis SA	Nîmes	FR 86421038548	100	100
	Kinepolis Bourgoin SA	Bourgoin-Jallieu	FR 65779487297	100	100
	Kinepolis France SAS	Lomme	FR 20399716083	100	100
	Kinepolis Film Distribution France SAS	Lomme	FR 43789848280	100	100
	Kinepolis Immo St. Julien-lès-Metz SAS	Metz	FR 51398364463	100	100
	Kinepolis Immo Thionville sa	Thionville	FR 10419162672	100	100
	Kinepolis Le Château du Cinéma SAS	Lomme	FR 60387674484	100	100
	Kinepolis Mulhouse SA	Mulhouse	FR 18404141384	100	100
	Kinepolis Nancy SAS	Nancy	FR 00428192819	100	100
	Kinepolis Prospection SAS	Lomme	FR 45428192058	100	100
	Kinepolis St. Julien-lès-Metz SAS	Metz	FR 43398364331	100	100
	Kinepolis Thionville SAS	Thionville	FR 09419251459	100	100
	Utopolis Longwy SAS	Longwy	FR 21432763563	100	100
Luxembourg	Utopolis Belval SA	Luxembourg	LU 220 75 333	100	100
	Majestiek International SA	Luxembourg	LU 19942206638	100	100
	Utopia SA	Luxembourg	LU 160 90 380	100	100

COUNTRY	NAME	MUNICIPALITY	VAT OR COMPANY REGISTRATION NUMBER	% 2018	% 2019
The Netherlands	Kinepolis Immo BV	Utrecht	NL 003182794B01	100	100
	Kinepolis Rotterdam BV	Utrecht	NL 808810261B01	100	100
	Kinepolis Bioscopen Holding BV	Utrecht	NL 822624382B01	100	100
	Kinepolis Enschede BV	Utrecht	NL 808883574B01	100	100
	Kinepolis Groningen BV	Utrecht	NL 816165774B01	100	100
	Kinepolis Huizen BV	Utrecht	NL 820697230B01	100	100
	Kinepolis Exploitatie BV	Utrecht	NL 819683036B01	100	100
	Kinepolis UBOS BV	Utrecht	NL 856681866B01	100	100
	Kinepolis Immo Schagen BV	Utrecht	NL 815246353B01	100	100
	Kinepolis Cinemagnus Schagen BV	Utrecht	NL 815293446B01	100	100
	Kinepolis Immo Hoofddorp BV	Utrecht	NL 821608563B01	100	100
	Kinepolis Cinemeerse Hoofddorp BV	Utrecht	NL 821608666B01	100	100
	City Monumenten Utrecht BV	Utrecht	NL 002611375B01	100	100
	NH Haarlem BV	Utrecht	NL 855813593B01	100	100
	Cineschalkstad BV	Utrecht	NL 855814275B01	100	100
	Utopia Nederland BV	Almere	NL 804687237B03	100	100
	Utrechtse Film Onderneming 'Ufio' BV	Utrecht	NL 003182812B01	100	100
	Kinepolis Immo Spijkenisse BV	Utrecht	NL 810523358B01	-	100
	Kinepolis Spijkenisse BV	Utrecht	NL 800351575B01	-	100
Poland	Kinepolis Poznań Sp.z o.o.	Poznań	NIP 5252129575	100	100
Spain	Kine Invest SA	Pozuelo de Alarcon	ESA 824 896 59	100	100
	Kinepolis España SA	Pozuelo de Alarcon	ESA 814 870 27	100	100
	Kinepolis Granada SA	Pozuelo de Alarcon	ESA 828 149 55	100	100
	Kinepolis Jerez SA	Pozuelo de Alarcon	ESA 828 149 22	100	100
	Kinepolis Madrid SA	Pozuelo de Alarcon	ESA 828 149 06	100	100
	Kinepolis Paterna SA	Pozuelo de Alarcon	ESA 828 149 14	100	100
	Cines Llobregat SL	Madrid	NIF B651 443 70	-	100
	Cines El Punt SA	Madrid	NIF A621 222 21	-	100
	Restauració Al Punt SL	Madrid	NIF B625 860 03	-	100
USA	Kinepolis US Inc	Michigan	EIN 61-1936179	-	100
	MJR Group LLC	Michigan	EIN 38-3367945	-	100
	MJR Sterling Heights LLC	Michigan	EIN 46-3910496	-	100
Switzerland	Kinepolis Schweiz AG	Schaffhausen	CH 2903013216-5	100	100

CHANGES IN THE CONSOLIDATION SCOPE

NEW PARTICIPATING INTERESTS IN SUBSIDIARIES
Kinepolis Group acquired control of the 'Full' cinema in Barcelona and 'El Punt Ribera' in Valencia on 1 March 2019. In this context, Kinepolis took over the following companies: Cines Llobregat SL, Cines El Punt SA and Restauració Al Punt SL.

On 11 October 2019, Kinepolis Group NV acquired the shares of the American cinema group MJR Digital Cinemas. In this context, Kinepolis took over the following companies: MJR Group LLC and MJR Sterling Heights LLC. In addition, Kinepolis founded Kinepolis US Inc.

Kinepolis took over both the property and the operation of the Arcaplex cinema located in Spijkenisse, the Netherlands, on 14 November 2019. The companies Arcaplex Spijkenisse BV and Arcaplex Beheer BV were thereby renamed Kinepolis Spijkenisse BV and Kinepolis Immo Spijkenisse BV, respectively.

OTHER CHANGES
The entities KP Immo Brussel NV and Utopia Belgium NV were liquidated during 2019.

Statutory auditor's report to the General Meeting of Kinepolis Group NV on the consolidated financial statements as of and for the year ended 31 December 2019

FREE TRANSLATION OF UNQUALIFIED STATUTORY AUDITOR'S REPORT ORIGINALLY PREPARED IN DUTCH

In the context of the statutory audit of the consolidated financial statements of Kinepolis Group NV ('the Company') and its subsidiaries (jointly 'the Group'), we provide you with our statutory auditor's report. This includes our report on the consolidated financial statements for the year ended 31 December 2019, as well as other legal and regulatory requirements. Our report is one and indivisible.

We were appointed as statutory auditor by the General Meeting of 8 May 2019, in accordance with the proposal of the board of directors issued on the recommendation of the audit committee and as presented by the workers' council. Our mandate will expire on the date of the General Meeting deliberating on the annual accounts for the year ended 31 December 2021. We have performed the statutory audit of the consolidated financial statements of Kinepolis Group NV for 22 consecutive financial years.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

UNQUALIFIED OPINION

We have audited the consolidated financial statements of the Group as of and for the year ended 31 December 2019, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2019, the consolidated income statement, consolidated statement of profit or loss and other comprehensive income, consolidated cash flow statement and consolidated changes in equity for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to EUR 1.283.822.(000) and the consolidated statement of profit or loss shows a profit for the year of EUR 54.372.(000).

In our opinion, the consolidated financial statements give a true and fair view of the Group's equity and financial position as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

BASIS FOR OUR UNQUALIFIED OPINION

We conducted our audit in accordance with International Standards on Auditing ('ISAs') as adopted in Belgium. In addition, we have applied the ISAs as issued by the IAASB applicable for the current accounting year while these have not been adopted in Belgium yet. Our responsibilities under those standards are further described in the "Statutory auditors' responsibility for the audit of the consolidated financial statements" section of our report. We have complied with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including the independence requirements.

We have obtained from the board of directors and the Company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER – CORONA - COVID-19 PANDEMIC

We draw attention to note 30 'Subsequent events' to the consolidated financial statements where the board of directors describes the impact of the Corona - COVID-19 pandemic on the operating profit of the Group as well as the measures taken by the Group. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of intangible assets, property, plant and equipment, right-of-use assets and goodwill

We refer to note 10 section 'Goodwill and business combinations' of the consolidated financial statements.

Description

As set out in Note 10, 'Goodwill and business combinations', the Group performed an impairment assessment over intangible assets, property, plant and equipment ('PPE'), right-of-use assets and goodwill. This assessment was performed for each of the smallest groups of assets that generate largely independent cash flows (the cash-generating unit or 'CGU'). The Group has defined a CGU as the country.

The Group determined the recoverable value of a CGU as the higher of its value in use ('VIU') which is based on estimated future cash flows and its fair value less costs to sell as determined by an external valuation expert.

Intangible assets, property, plant and equipment ('PPE'), right-of-use assets and goodwill represent 87% of the Group's total assets as of 31 December 2019. Determining the amount of impairment losses, if any, to be recorded requires the Group to exercise significant judgment and make important assumptions, particularly in relation to:

- the determination of the Group's CGUs;
- the estimation of a CGU's value-in-use, including the estimation of future cash flows and the applicable discount rates.

Our audit procedures
With the assistance of our valuation specialists, we performed the following audit procedures:

- we assessed the competence, capabilities and objectivity of the external valuation expert engaged by management;
- we evaluated the appropriateness of the accounting treatment used by management based on the relevant accounting standard (IAS 36 Impairment of Assets);
- we challenged management's assessment of potential indicators of impairment of intangible assets, property, plant and equipment ('PPE'), right-of-use assets and goodwill based on our own expectations developed from our knowledge of the Group and our understanding of internal and external factors relevant to the Group, the Group's business and the industry in which the Group operates;
- we challenged management's identification of CGUs with reference to our understanding of the Group's business and the requirements of the prevailing accounting standards;
- where a CGU required testing, we challenged key inputs and data used in the valuation model such as forecasted revenues, operating costs, maintenance capital expenditure, and respective weighted average cost of capital based on our knowledge of the business and the cinema industry. We assessed the Group's historical ability to forecast cash flows, and challenged the reasonableness of current forecasts given the future strategy of the Group and our understanding of the Group's past performance;
- we verified the mathematical accuracy of the discounted cash flow model;
- we performed sensitivity analyses on the respective weighted average cost of capital and the forecasted cash flows used by the Group to assess what change thereto would result in a different conclusion being reached, and assessing whether there were any indications of management bias in the selection of these assumptions;
- we assessed the appropriateness of the Group's disclosures in respect of impairment of intangible assets, property, plant and equipment ('PPE'), right-of-use assets and goodwill as included in Note 10 to the consolidated financial statements.

Acquisition MJR Digital Cinemas
We refer to Note 10 section 'Goodwill and business combinations' of the consolidated financial statements.

Description
As set out in Note 10, 'Goodwill and business combinations', the Group acquired MJR Digital Cinemas on 11 October 2019 for a consideration of USD 154,0 MIO or EUR 138,8 MIO. The accounting for the acquisition of a business is complex and accounting standards require the Group to identify all assets and liabilities of the newly acquired business and estimate the fair value of each item.

The accounting for the business combination is a key audit matter due to:

- the significance of the transaction to the consolidated financial statements;
- the judgement involved in the identification of assets and liabilities acquired and in the estimation of the fair value of each item.

Our audit procedures
With the assistance of our valuation specialists, we performed the following audit procedures:

- We inspected the Purchase and Sale Agreement and other relevant documents such as due diligence reports.
- We evaluated the appropriateness of the accounting treatment of the transaction and the related contracts based on the relevant accounting standards, in particular, the requirements of IFRS 3 Business Combinations and IFRS 10 Consolidated Financial Statements.
- We assessed the competence, objectivity and capabilities of the external experts engaged by management to determine the fair value of the assets acquired and liabilities assumed.

- We challenged the identification of the assets acquired and liabilities assumed as part of the business combination as well as the appropriateness of key assumptions used in the determination of the fair value of the assets and liabilities acquired and the methodology adopted by management and, by the experts engaged by management.
- We assessed the appropriateness of the Group's disclosures in respect of the acquisition of MJR Digital Cinemas as included in Note 10 to the consolidated financial statements.

BOARD OF DIRECTORS' RESPONSIBILITIES FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The board of directors is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

STATUTORY AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these consolidated financial statements.

When performing our audit we comply with the legal, regulatory and professional requirements applicable to audits of the consolidated financial statements in Belgium. The scope of the statutory audit of the consolidated financial statements does not extend to providing assurance on the future viability of the Group nor on the efficiency or effectivity of how the board of directors has conducted or will conduct the business of the Group.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also perform the following procedures:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by board of directors;
- Conclude on the appropriateness of board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The board of directors is responsible for the preparation and the content of the board of directors' annual report on the consolidated financial statements, the statement of the non-financial information attached to the board of directors' annual report and the other information included in the annual report.

STATUTORY AUDITOR'S RESPONSIBILITIES

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, the board of directors' annual report on the consolidated financial statements, the statement of the non-financial information attached to the board of directors' annual report on the consolidated financial statements and the other information included in the annual report, and to report on these matters.

ASPECTS CONCERNING THE BOARD OF DIRECTORS' ANNUAL REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

Based on specific work performed on the board of directors' annual report on the consolidated financial statements, we are of the opinion that this report is consistent with the consolidated financial statements for the same period and has been prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge gained throughout the audit, whether the board of directors' annual report on the consolidated financial statements and other information included in the annual report:

- Part I – Company Report
- Part III – Financial Report: Key figures and ratios and share information

contain material misstatements, or information that is incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you.

The non-financial information required by article 3:32 §2 of the Companies' and Associations' Code has been included in a separate report attached to the board of directors' annual report on the consolidated financial statements, specifically Part II – Sustainability Report of the annual report. This report on the non-financial information contains the information required by article 3:32 §2 of the Companies' and Associations' Code and is consistent with the consolidated financial statements for the same period. The Company has prepared this non-financial information based on ISO26000. In accordance with art 3:80 §1, 1st paragraph, 5° of the Companies' and Associations' Code, we do not comment on whether this non-financial information has been prepared in accordance with ISO 26000 mentioned in the annual report on the consolidated financial statements.

INFORMATION ABOUT THE INDEPENDENCE

- Our audit firm and our network have not performed any engagement which is incompatible with the statutory audit of the consolidated accounts and our audit firm remained independent of the Group during the term of our mandate.
- The fees for the additional engagements which are compatible with the statutory audit referred to in article 3:65 of the Companies' and Associations' Code were correctly stated and disclosed in the notes to the consolidated financial statements.

OTHER ASPECT

This report is consistent with our additional report to the audit committee on the basis of Article 11 of Regulation (EU) No 537/2014.

Antwerp, 3 April 2020

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
Statutory Auditor
represented by

Serge Cosijns
Réviseur d'Entreprises / Bedrijfsrevisor

Condensed financial statements of Kinepolis Group NV

The following information is an extract from the unconsolidated financial statements of Kinepolis Group NV, drawn up in accordance with the Belgian accounting principles. These unconsolidated financial statements, together with the management report to the General Shareholders' Meeting and the Auditor's report, will be filed with the National Bank of Belgium within the legal deadline.

It should be noted that only the consolidated financial statements as presented above give a true and fair view of the financial position and performance of Kinepolis Group NV.

As Kinepolis Group NV is essentially a holding company that accounts for its investments at cost in its unconsolidated statements, these separate financial statements only give a limited view of the financial position of Kinepolis Group NV. The Board of Directors has therefore deemed it appropriate to present only a condensed unconsolidated balance sheet and income statement, prepared according to the Belgian accounting principles for the year ended 31 December 2019.

The statutory auditor's report on these statements is unqualified, and confirms that the unconsolidated financial statements of Kinepolis Group NV, prepared in accordance with Belgian accounting principles for the year ending 31 December 2019, give a true and fair view of the financial position of Kinepolis Group NV in accordance with all legal and regulatory provisions.

The unconsolidated financial statements of Kinepolis Group NV can be obtained free of charge from the website of the National Bank of Belgium (www.nbb.be), in the section 'Balanscentrale', subsection 'Jaarrekeningen raadplegen' or can be requested free of charge from Investor Relations.

CONDENSED UNCONSOLIDATED BALANCE SHEET OF KINEPOLIS GROUP NV

IN '000 €	2018	**2019**
Non-current assets	**413 222**	**551 705**
Intangible assets	5 519	6 258
Property, plant and equipment	2 571	1 708
Financial fixed assets	405 133	543 739
Current assets	**60 646**	**68 809**
TOTAL ASSETS	**473 868**	**620 513**
Equity	**83 956**	**137 903**
Issued capital	18 952	18 952
Share premium	1 154	1 154
Legal reserves	1 895	1 895
Unavailable reserves	20 095	22 803
Available reserves	7 050	7 050
Profit carried forward	34 810	86 049
Provisions and deferred taxes		**26**
Non-current loans and borrowings	**280 993**	**461 931**
Current loans and borrowings	**95 343**	**9 180**
Accrued charges and deferred income	**13 575**	**11 473**
TOTAL EQUITY AND LIABILITIES	**473 868**	**620 513**

CONDENSED UNCONSOLIDATED INCOME STATEMENT OF KINEPOLIS GROUP NV

IN ’000 €	2018	2019
Operating income	97 344	115 703
Operating expenses	-43 602	-48 198
OPERATING PROFIT	**53 742**	**67 505**
Financial result	-3 032	2 590
Current tax expenses	-12 849	-16 147
PROFIT / (LOSS) FROM THE FINANCIAL YEAR FOR APPROPRIATION	**37 861**	**53 947**

APPROPRIATION OF THE RESULTS OF KINEPOLIS GROUP NV

IN ’000 €	2018	2019
Profit / (loss) from the fiscal year for appropriation	37 861	53 947
Profit carried forward from previous financial year	39 240	34 810
Transfer from equity:		
- to the reserves not available for distribution	17 568	2 708
Profit to be carried forward	34 810	86 049
Dividend	24 723	

MANDATES AND REMUNERATION OF THE STATUTORY AUDITOR OF KINEPOLIS GROUP NV

IN ’000 €	2018	2019
Remuneration of the statutory auditor/s for the performance of a mandate as statutory auditor	211	186
Other audit-related services		82
Tax advisory services		
Other assignments outside the audit assignments	6	10
Remuneration for other services or assignments performed within the Company by the statutory auditor(s)	6	91
Other audit-related services		
Tax advisory services	26	23
Other assignments outside the audit assignments		
Remuneration for other work or assignments performed within the Company by persons associated with the statutory auditor(s)	26	23
TOTAL	**243**	**300**

Reconciliations

ADJUSTMENTS

IN '000 €	2018	**2019**
EBITDA	-1 812	-1 808
Depreciations and impairment losses	-488	-967
Provisions	536	-146
Financial result	428	
Income tax expenses	1 223	1 290
NET IMPACT OF ADJUSTMENTS	**-113**	**-1 631**

RECONCILIATION OF ADJUSTED PROFIT

IN '000 €	2018	**2019**
Operating profit	79 130	101 037
Financial result	-12 371	-23 726
Profit before tax	66 759	77 311
Income tax expenses	-19 350	-22 939
Profit of the period	47 409	54 372
Net impact of adjustments	113	1 631
ADJUSTED PROFIT OF THE PERIOD	**47 522**	**56 003**

RECONCILIATION OF ADJUSTED PROFIT EXCL. IFRS 16

IN '000 €	2018	**2019**
Operating profit excl. IFRS 16	79 130	97 955
Financial result excl. IFRS 16	-12 371	-14 373
Profit before tax excl. IFRS 16	66 759	83 582
Income tax expenses excl. IFRS 16	-19 350	-24 800
Profit of the period excl. IFRS 16	47 409	58 782
Net impact of adjustments	113	1 631
ADJUSTED PROFIT OF THE PERIOD EXCL. IFRS 16	**47 522**	**60 413**
Impact of IFRS 16		-4 410
ADJUSTED PROFIT OF THE PERIOD	**47 522**	**56 003**

RECONCILIATION ADJUSTED EBITDA VS EBITDA

IN '000 €	2018	**2019**
Operating profit	79 130	101 037
Depreciation and amortisation	39 039	70 734
Provisions and impairments	-982	568
EBITDA	117 187	172 339
Impact of adjustments on EBITDA	1 812	1 808
ADJUSTED EBITDA	**118 999**	**174 148**

RECONCILIATION ADJUSTED EBITDA VS EBITDA EXCL. IFRS 16

IN '000 €	2018	2019
Operating profit excl. IFRS 16	79 130	97 955
Depreciation and amortisation excl. IFRS 16	39 039	46 511
Provisions and impairments	-982	568
EBITDA excl. IFRS 16	**117 187**	**145 034**
Impact of adjustments on EBITDA	1 812	1 808
ADJUSTED EBITDA EXCL. IFRS 16	**118 999**	**146 843**
Impact of IFRS 16		27 305
ADJUSTED EBITDA	**118 999**	**174 148**

RECONCILIATION OF NET FINANCIAL DEBT

IN '000 €	2018	2019
Financial debt	342 503	905 870
Cash and cash equivalents	-65 381	-72 473
Tax shelter investments	-304	- 304
NET FINANCIAL DEBT	**276 818**	**833 093**

RECONCILIATION OF NET FINANCIAL DEBT EXCL. LEASE LIABILITIES

IN '000 €	2018	2019
Financial debt excl. lease liabilities	342 503	489 727
Cash and cash equivalents	-65 381	-72 473
Tax shelter investments	-304	- 304
NET FINANCIAL DEBT EXCL. LEASE LIABILITIES	**276 818**	**416 950**
Impact of lease liabilities		416 143
NET FINANCIAL DEBT	**276 818**	**833 093**

RECONCILIATION OF FREE CASH FLOW

IN '000 €	2018	2019
Cash flow from operating activities	113 360	176 642
Income taxes paid	-22 382	-25 718
Maintenance capital expenditures for intangible assets, property, plant and equipment and investment property	-15 944	-20 956
Interest paid	-10 287	-12 882
Payment of lease liabilities		-26 917
FREE CASH FLOW	**64 747**	**90 169**

RECONCILIATION ROCE

IN '000 €	2018	**2019**
Operating profit	79 130	101 037
Impact of adjustments on EBIT	1 764	2 921
Adjusted EBIT	80 894	103 958
Average non-current assets	536 334	853 598
Average deferred tax assets	-1 305	-1 327
Average assets held for sale	4 830	4 379
Average inventories	4 834	5 384
Average trade receivables	34 118	38 515
Average trade payables	-83 189	-96 187
Capital employed	495 623	804 362
ROCE	**16.3%**	**12.9%**

RECONCILIATION ROCE EXCL. IFRS 16

IN '000 €	2018	**2019**
Operating profit excl. IFRS 16	79 130	97 955
Impact of adjustments on EBIT	1 764	2 921
Adjusted EBIT excl. IFRS 16	80 894	100 876
Average non-current assets excl. IFRS 16	536 334	654 992
Average deferred tax assets excl. IFRS 16	-1 305	-1 594
Average assets held for sale	4 830	4 379
Average inventories	4 834	5 384
Average trade receivables	34 118	38 515
Average trade payables	-83 189	-96 187
Capital employed excl. IFRS 16	495 623	605 490
ROCE EXCL. IFRS 16	**16.3%**	**16.7%**

RECONCILIATION CURRENT RATIO

IN '000 €	2018	**2019**
Current assets	122 704	134 779
Current liabilities	183 732	179 168
CURRENT RATIO	**0.67**	**0.75**

RECONCILIATION CURRENT RATIO EXCL. IFRS 16

IN '000 €	2018	**2019**
Current assets	122 704	134 779
Current liabilities excl. IFRS 16	183 732	146 077
CURRENT RATIO EXCL. IFRS 16	**0.67**	**0.92**

RECONCILIATION CAPITAL EXPENDITURE ACCORDING TO THE CASH FLOW STATEMENT

IN ’000 €	2018	2019
Acquisition of intangible assets	2 872	2 637
Acquisition of property, plant and equipment and investment property	58 332	60 067
Advance lease payments		3 519
Acquisition of subsidiaries, net of cash acquired	27 493	173 930
Proceeds from sale of investment property and intangible and tangible assets	- 501	-5 942
TOTAL CAPITAL EXPENDITURE ACCORDING TO THE CASH FLOW STATEMENT	**88 196**	**234 211**

RECONCILIATION GEARING RATIO

IN ’000 €	2018	2019
Net financial debt	276 818	833 093
Equity	177 617	211 253
GEARING RATIO	**1.56**	**3.94**

RECONCILIATION GEARING RATIO EXCL. IFRS 16

IN ’000 €	2018	2019
Net financial debt excl. lease liabilities	276 818	416 950
Equity	177 617	211 253
GEARING RATIO EXCL. IFRS 16	**1.56**	**1.97**

Glossary and APMs

The glossary below also contains Alternative Performance Measures (APMs) that are aimed to improve the transparency of financial Information.

Gross profit
Revenue – Cost of sales

Operating profit (EBIT)
Gross profit – marketing and selling expenses - administrative expenses + other operating income - other operating expenses

Adjusted operating profit
Operating profit after eliminating adjustments; is used to reflect the operating profit from normal operating activities

EBITDA
Operating profit + depreciations + amortisations + impairments + movements in provisions

Adjusted EBITDA
EBITDA after eliminating adjustments; is used to reflect the EBITDA from normal operating activities

Adjustments
This category primarily includes results from the disposal of fixed assets, impairment losses on assets, provisions, costs from restructuring and acquisitions and other exceptional income and expenses.

Financial result
Financial income - financial expenses

Effective tax rate
Income tax expense / profit before tax

Adjusted profit
Profit of the period after elimination of adjustments; is used to reflect the profit from normal operating activities

Profit of the period, share of the Group
Profit attributable to equity holders of the Company

Basic earnings per share
Profit of the period, share of the Group / (average number of outstanding shares – average number of treasury shares)

Diluted earnings per share
Profit of the period, share of the Group / (average of number of outstanding shares – average number of treasury shares + number of possible new shares that must be issued under the existing share option plans x dilution effect of the share option plans)

Dividend
Payment of the profit of a company to its shareholders

Pay-out ratio
The pay-out ratio indicates which part of the net profit is distributed to the shareholders

Capital expenditure
Capitalised investments in intangible assets, property, plant and equipment and investment property

Gross financial debt
Non-current and current financial liabilities

Net financial debt
Financial debt after deduction of cash and cash equivalents, and tax shelter investments

Net financial debt excl. lease liabilities
Financial debt excluding lease liabilities after deduction of cash and cash equivalents and tax shelter investments

ROCE (Return on capital employed)
Adjusted EBIT / (average non-current assets – average deferred tax assets + average assets held for sale + average trade receivables + average inventory – average trade payables)

Current ratio
Current assets / current liabilities

Free cash flow
Cash flow from operating activities – maintenance capital expenditures for intangible assets and property, plant and equipment and investment property – interest paid

Excluding IFRS 16
The figures in the current period, applying the new lease standard IFRS 16, have been recalculated according to the former lease standard IAS 17 to make the comparability between the figures of both reporting periods more transparent.

Financial calendar 2020-2021

WEDNESDAY	WEDNESDAY	THURSDAY
13	13	20
May 2020	May 2020	Aug 2020
PUBLICATION BUSINESS UPDATE Q1 2020	GENERAL MEETING KINEPOLIS GROUP NV	PUBLICATION HALF-YEAR RESULTS 2020 PRESENTATION TO PRESS AND ANALYSTS

THURSDAY	THURSDAY
12	25
Nov 2020	Feb 2021
PUBLICATION BUSINESS UPDATE Q3 2020	PUBLICATION ANNUAL RESULTS 2020 PRESENTATION TO PRESS AND ANALYSTS

These dates are subject to change.

For adjustments to the financial calendar, please refer to the Investor Relations website:
WWW.KINEPOLIS.COM/CORPORATE

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This Financial Report is available in
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