ANNUAL REPORT 2021

KINEPOLIS GROUP

ANNUAL REPORT

2021

KINEPOLIS GROUP


ANNUAL REPORT

Table of contents

01 Word from the Chairman and the CEO

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


Eddy Duquenne and Joost Bert

Ladies and gentlemen,
Dear shareholder, customer and employee,

As you will surely have noticed, the course of 2021 was also very much in the shadow of the corona pandemic. For the second year in a row, we had to go through closures and re-openings in most countries, and faced ever-changing measures that impacted the operation of our cinemas. In 2021 we did not get the 'best case' scenario that we had hoped for at the start of the vaccination campaign, but it was a different and better year than 2020 in many ways, with positive signs confirming our confidence in the future.

> 2021 was a different and better year than 2020 in many ways, with positive signs confirming our confidence in the future

In the second half of the year, in particular, we had strong blockbusters – such as *Fast & Furious 9*, *Dune*, *No Time To Die* and *Spider-Man: No Way Home* – which led to a promising return of visitors to our cinemas. This is proof that the big screen experience has not lost its appeal. The high consumption per visitor and the success of premium cinema experiences show that our visitors are more than ever looking for experience. And they want to experience 'together'.

The movie offer and consumer habits are factors beyond our control, however. We have worked hard on the development and implementation of our 'Entrepreneurship plan 2022' in order to make us stronger as a company and ensure optimum protection against a possible slower recovery of visitor numbers after the pandemic. This plan builds on our three-pillar strategy and – through cost-saving optimisations and innovation in all departments – allows us to provide maximum support to the Group's financial results from 2022 onwards. The implementation of this plan has already contributed to the financial result of 2021.

In addition, we are working on more offensive plans, our ‘Star’ plans, which are more focused on new sources of income and new customer approaches, but the concrete impact of which is more difficult to estimate.

The past two years have taught us a lot about cash management. We managed to use less and less cash during each period of closure. Strong cost management, one-off support measures and the recovery of turnover in the second half of the year ensured a comfortable cash position of almost € 200 million at the end of 2021, which was slightly higher than our position at the start of the pandemic in the spring of 2020.

And all this while we continued to invest in new and existing cinemas throughout the pandemic. In the past year and a half, we opened four new complexes, i.e. Kinepolis Haarlem and Leidschendam in the Netherlands, Kinepolis Metz Waves in France and Landmark Tamarack in Canada. A fifth new cinema, Kinepolis Metz Amphithéâtre, will open its doors in the autumn of 2022. In addition to new construction, we also invested in a number of new products, such as ‘Landmark EXTRAS’, a new loyalty programme for customers, including a subscription formula.

Kinepolis Haarlem (NL)

We look forward to returning our pace of investment to pre-pandemic levels, with a focus on premium cinema experiences. After all, as mentioned before, we have noticed that customers value experience even more than before the crisis. We will also fully address and utilise our self-learning organisation again. Although the pandemic has forced us to manage more from the boardroom recently, our focus and the level of detail that we wish to achieve lie with the people who come into contact with our customers every day. In the coming years, our self-learning organisation (in which we give employees maximum responsibility for implementing our strategy), and consequently the creativity of our teams, will determine the success of Kinepolis more than ever before.

We also want to use this self-learning organisation for our sustainability policy. Over the past period, we, as management, have been thinking about how we can embed sustainability into our strategy to a greater extent, what our positive impact is or could be on society, and how we can make this even stronger. We have set strategic priorities, and we intend to provide them the right operational support in the coming period in order to make this an even greater part of our day-to-day activities.

Kinepolis Leidschendam (NL)

Landmark Tamarack (CA)

Kinepolis Metz Waves (FR)

An integrated strategy, our Entrepreneurship plan and our Star plans are the foundation of our future, and the driving force for all of this remains our team of talented employees. Kinepolis has shown itself to be agile and resilient in recent years, thanks to the enormous commitment and flexibility of its workforce. We do what we can at Kinepolis, whatever the circumstances. We will continue to adapt, but hope for a more normal year in 2022, in which we will reap the maximum benefits of our work. The promising film offer will undoubtedly help us in this regard.

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

We are looking forward to a promising 2022 and a bright future.

Eddy Duquenne
CEO of Kinepolis Group

Joost Bert
Chairman of the Board of Directors

02 Our purpose

Why?

At Kinepolis, we want to

Enrich people's lives through the power of movies

What?

Movies have the power to entertain, to inspire and to connect people

Kinepolis brings that power to life by

creating the ultimate movie experience

An experience that draws you into the story and drives shared emotions

An experience that is **tailored to your needs.**

How?

That is why Kinepolis wants to excel in

the way cinemas
are operated:

best cinema operator

the way in which customers
are being listened to:

best marketer

And the way in which
cinema real estate is managed

best real estate manager

Impact

Three pillars focused on creating

sustainable value

for employees, customers,
shareholders and partners,

as well as the environment
and communities
Kinepolis is part of.

03 Key figures and ratios[1]

KEY FIGURES

Reconciliations, glossary and APMs on p. 206-210

NUMBER OF COMPLEXES [2] [3]	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	UNITED STATES	LUXEMBOURG	OTHER (POLAND, SWITZERLAND)	TOTAL
2021	11	14	40	8	20	10	3	2	108

VISITORS (MILLIONS) [4]	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	UNITED STATES	LUXEMBOURG	SWITZERLAND	TOTAL
2020	2.30	2.11	2.66	1.56	2.00	1.10	0.29	0.04	12.05
2021	3.21	3.22	3.60	2.52	1.96	2.20	0.42	0.06	17.18
2021 compared to 2020	39.6%	52.9%	35.2%	61.8%	-2.3%	99.5%	46.9%	54.1%	42.6%

CONSOLIDATED INCOME STATEMENT (IN '000 €)	2017	2018	2019	2020	2021
Revenue	355 427	475 880	551 482	176 282	266 393
EBITDA	103 186	117 187	172 339	17 188	72 667
EBITDAL			142 357	-13 981	38 510
Adjusted EBITDA	104 292	118 999	174 148	17 492	72 262
Adjusted EBITDAL			144 166	-13 677	38 105
Gross result	113 395	130 229	157 596	-43 357	6 370
Operating result	72 915	79 130	101 037	-65 663	-6 545
Financial result	-8 213	-12 371	-23 726	-26 052	-28 362
Result before tax	64 702	66 759	77 311	-91 715	-34 907
Result	49 067	47 409	54 372	-69 111	-25 506
Adjusted result	44 745	47 522	56 003	-68 678	-24 926

ANNUAL GROWTH RATES	2017	2018	2019	2020	2021
Revenue	9.4%	33.9%	15.9%	-68.0%	51.1%
EBITDA	12.6%	13.6%	47.1%	-90.0%	322.8%
EBITDAL				-109.8%	375.4%
Adjusted EBITDA	10.3%	14.1%	46.3%	-90.0%	313.1%
Adjusted EBITDAL				-109.5%	378.6%
Gross result	13.2%	14.8%	21.0%	-127.5%	114.7%
Operating result	15.4%	8.5%	27.7%	-165.0%	90.0%
Result	3.0%	-3.4%	14.7%	-227.1%	63.1%
Adjusted result	10.7%	6.2%	17.8%	-222.6%	63.7%

(1) As of 1 January 2019 IFRS 16: Leases is applied.
(2) Including Cinema City Poznań (Poland), operated by Cineworld.
(3) Number of cinemas on publication date.
(4) Excluding Cinema City Poznań (Poland).

Reconciliations, glossary and APMs on p. 206-210

CONSOLIDATED BALANCE SHEET (IN '000 €)	2017	2018	2019	2020	2021
Non-current assets	514 518	558 150	1 149 043	1 097 121	1 079 631
Current assets	206 437	122 704	134 779	71 059	115 447
TOTAL ASSETS	**720 955**	**680 854**	**1 283 822**	**1 168 180**	**1 195 078**
Equity	176 394	177 617	211 253	126 496	120 649
Non-current provisions and deferred tax liabilities	35 849	35 640	23 728	16 126	15 590
Non-current loans and borrowings	342 106	272 677	479 513	469 882	478 494
Non-current lease liabilities			383 052	358 317	354 271
Current loans and borrowings	39 873	69 790	10 099	76 599	71 557
Current lease liabilities			33 091	35 295	36 296
Trade and other payables	116 466	117 516	139 848	84 778	116 967
Others	10 267	7 614	3 238	687	1 254
TOTAL EQUITY AND LIABILITIES	**720 955**	**680 854**	**1 283 822**	**1 168 180**	**1 195 078**

DATA PER SHARE [5]	2017	2018	2019	2020	2021
Revenue	13.05	17.67	20.52	6.56	9.90
EBITDA	3.79	4.35	6.41	0.64	2.70
EBITDAL			5.30	-0.52	1.43
Adjusted EBITDA	3.83	4.42	6.48	0.65	2.69
Adjusted EBITDAL			5.36	-0.51	1.42
Result	1.80	1.76	2.02	-2.56	-0.94
Adjusted result	1.64	1.76	2.08	-2.55	-0.92
Equity, share of the Group	6.48	6.59	7.85	4.71	4.49
Gross dividend [6]	0.91	0.92			
Pay-out ratio	50%	52%			

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

RATIOS

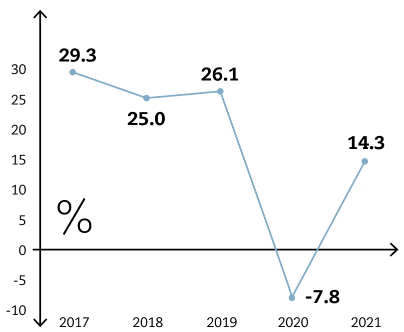
Reconciliations, glossary and APMs on p. 206-210

PROFITABILITY RATIOS	2017	2018	2019	2020	**2021**
EBITDA / Revenue	29.0%	24.6%	31.3%	9.8%	27.3%
EBITDAL / Revenue			25.8%	-7.9%	14.5%
Adjusted EBITDA / Revenue	29.3%	25.0%	31.6%	9.9%	27.1%
Adjusted EBITDAL / Revenue			26.1%	-7.8%	14.3%
Gross result / Revenue	31.9%	27.4%	28.6%	-24.6%	2.4%
Operating result / Revenue	20.5%	16.6%	18.3%	-37.2%	-2.5%
Result / Revenue	13.8%	10.0%	9.9%	-39.2%	-9.6%

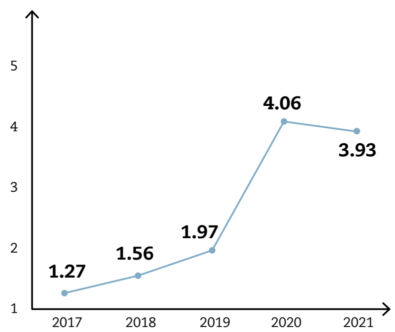
FINANCIAL STRUCTURE RATIOS EXCL. LEASE LIABILITIES	2017	2018	2019	2020	**2021**
Net financial debt			416 950	513 281	474 465
Net financial debt / EBITDAL			2.93	-36.71	12.32
Net financial debt / Adjusted EBITDAL			2.89	-37.53	12.45
Net financial debt / Equity			1.97	4.06	3.93
Equity / Total equity and liabilities			24.3%	16.3%	15.0%
Current ratio			0.92	0.46	0.63
ROCE excl. IFRS 16			16.2%	-10.1%	-1.9%

FINANCIAL STRUCTURE RATIOS	2017	2018	2019	2020	**2021**
Net financial debt	224 310	276 818	833 093	906 892	865 032
Net financial debt / EBITDA	2.17	2.36	4.83	52.76	11.90
Net financial debt / Adjusted EBITDA	2.15	2.33	4.78	51.85	11.97
Net financial debt / Equity	1.27	1.56	3.94	7.17	7.17
Equity / Total equity and liabilities	24.5%	26.1%	16.5%	10.8%	10.1%
Current ratio	1.30	0.67	0.75	0.37	0.52
ROCE	17.3%	16.3%	12.9%	-6.1%	-0.6%

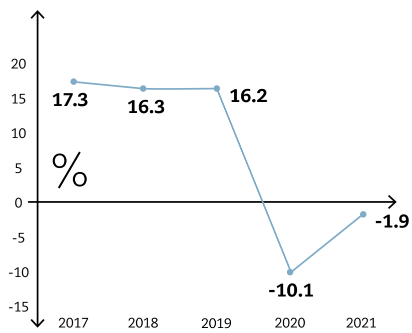
ADJUSTED EBITDA(L) (1) / REVENUE



NET FINANCIAL DEBT EXCL. LEASE LIABILITIES (2) / EQUITY



ROCE EXCL. IFRS 16 (3)



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

Impact 2021

Economic Financial

€ 266.4 million turnover
€ 72.7 million EBITDA
€ 38.5 million EBITDAL
€ -25.5 million result

Investments
€ 10.0 million in new-builds
€ 4.3 million in renovation and premium cinema infrastructure

4 new openings [1] **(31 screens)**
Haarlem, Metz Waves, Leidschendam, Tamarack

Cash position per 12/2021
€ 199.8 million

17.2

MILLION VISITORS
enjoyed a relaxing movie experience in 2021

Environmental

Total carbon footprint
in 2021: 19 867.77 tCO_2e

Sustainable design and execution
of new-builds and renovations:
Metz Amphithéâtre, Servon, Metz Waves, Leidschendam, Tamarack, Belval, St. Catharines

280 laser projectors
per end of 2021, resulting in an
energy reduction of 2 GWh/year
+ 192 laser upgrades planned in 2022

Responsible
waste management

Social

We listened to +314 000 **customers**

4 073 employees in 2021 [2]
of which 13.4% with business responsibility

111 new jobs created resulting from new openings

+1 000 students in Belgium and Luxembourg
accompanied through first work experience

76% of all employees participated in
employee satisfaction survey

1 in 3 vacancies filled internally

Support provided to local movies, charity and local communities

(1) Haarlem was shortly opened in October 2020, but no significant contribution in 2021 due to rapid closure. The real launch happened in 2021 (at the reopening of Dutch cinemas).
(2) Average headcount Q4 2021.

04 2021 at a glance

Lockdown

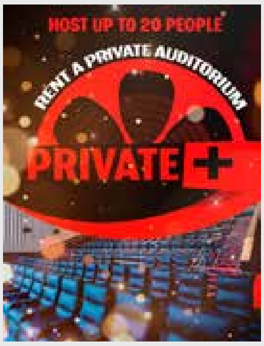
In Q1, only the US and Luxembourg cinemas, as well as some Spanish and less than 5 Canadian cinemas, were open.
The Belgian, Dutch, French and Swiss cinemas were closed for the entire quarter.

2021

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

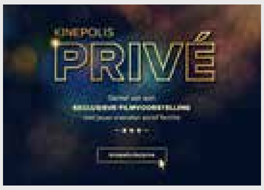
JANUARY 2021
Kinepolis secures bank credit of € 80 million

JANUARY 2021
MJR launches Private+ screenings



13 JANUARY 2021
Re-opening Luxembourg cinemas

17 FEBRUARY 2021
Launch of Kinepolis Privé in Luxembourg



24 MARCH 2021
Inauguration BLUE MOON streaming studio in Kinepolis Antwerp

26 MARCH 2021
All Spanish cinemas open

31 MARCH 2021
Launch of 'Kinepolis Play' in LUX, followed by FR and NL

1-17 APRIL 2021
'Kinepolis On Tour' drive-in cinema in De Panne (BE)

19 APRIL 2021
Re-opening Kinepolis Schaffhausen (CH)

19 MAY 2021
Re-opening French cinemas

19 MAY 2021
Opening Kinepolis Metz-Waves (FR)

Kinepolis Metz Waves

MAY-JUNE 2021
Launch of CSI (Customer Satisfaction Index) in the USA

JUNE-JULY 2021
Re-opening Canadian cinemas

5 JUNE 2021
Re-opening Dutch cinemas

5 JUNE 2021
Opening Kinepolis Leidschendam (Westfield Mall of The Netherlands)

9 JUNE 2021
Re-opening Belgian cinemas

JUNE 2021
Opening The Park VR experience in Kinepolis Antwerp Bruges, Utrecht, Breda

10 JUNE 2021
Opening Landmark Tamarack (SE Edmonton, CA)

Kinepolis Leidschendam (Westfield Mall of The Netherlands)

OCTOBER 2021
Release of 'No Time To Die', including new VIP formulas

2022

JUL | AUG | SEP | OCT | NOV | DEC | JAN

Q3 2021
Renovation of Kinepolis Belval (LU)

FROM THE END OF JULY 2021
Introduction of the Covid Pass in FR and LU, followed by CH, NL, BE & CA

AUGUST 2021
Closure and sale of small Canadian cinemas (2 leased and 4 owned)

SEPTEMBER 2021
Launch of the 'Landmark Extras' loyalty programme

13 SEPTEMBER 2021
Inauguration of Kinepolis Leidschendam with the Dutch premiere of 'Dune'

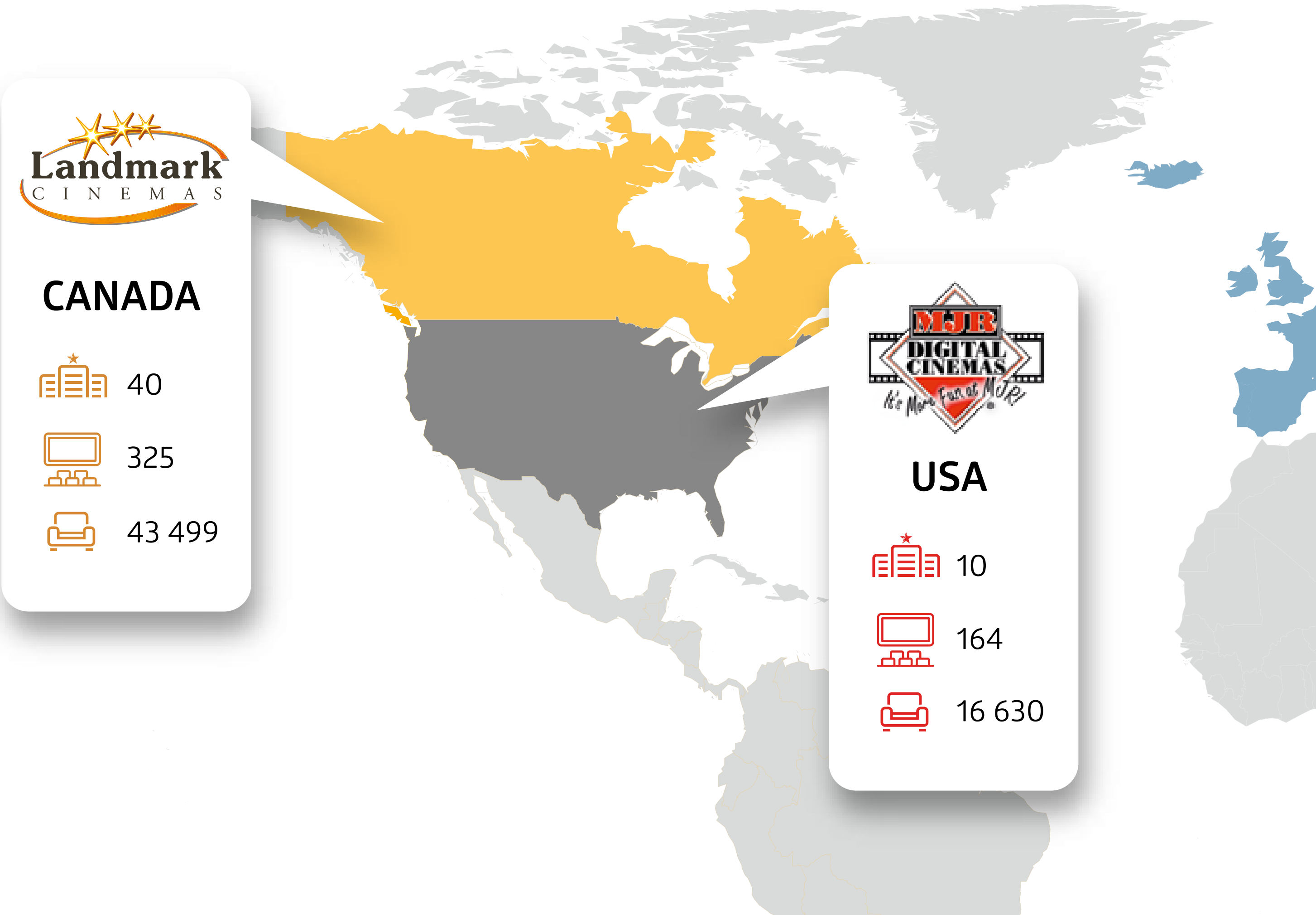
3 OCTOBER 2021
ICTA 'Best New-Build' award for Kinepolis Leidschendam

DECEMBER 2021
Release of 'Spider-Man: No Way Home', record opening weekend

18 DECEMBER 2021
Closure of cinemas in the Netherlands up to 26 January 2022

26-31 DECEMBER 2021
Closure Belgian cinemas

05 Kinepolis worldwide



On the date of publication of this annual report, Kinepolis Group had a total of 108 cinema complexes [1] in its portfolio (49 of which it owns), amounting to 1 097 screens and almost 200 000 seats.

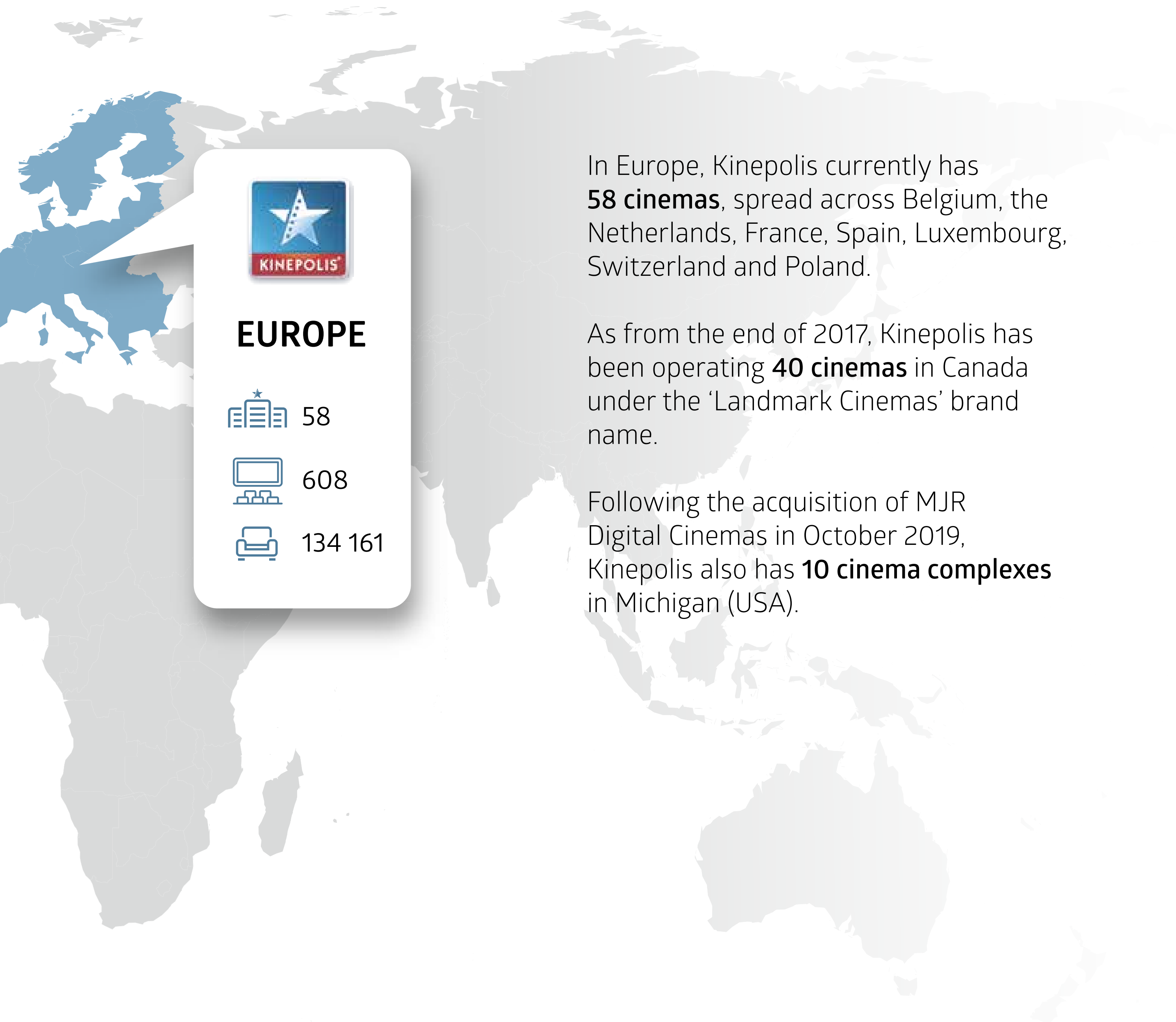
Overview per country on the following pages.

9
COUNTRIES

17.2 million
VISITORS IN 2021 [2]

4 073
EMPLOYEES
average headcount Q4 2021

(1) Belonging to the real estate portfolio on the date of publication, regardless of whether used for cinema activities or not. Including one complex operated by Cineworld (Poznań, PL), of which the number of screens and seats is not included in the total.
(2) Visitor figures strongly impacted by the Covid-19 pandemic. Kinepolis welcomed 40.3 million visitors in 2019.



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

As from the end of 2017, Kinepolis has been operating **40 cinemas** in Canada under the 'Landmark Cinemas' brand name.

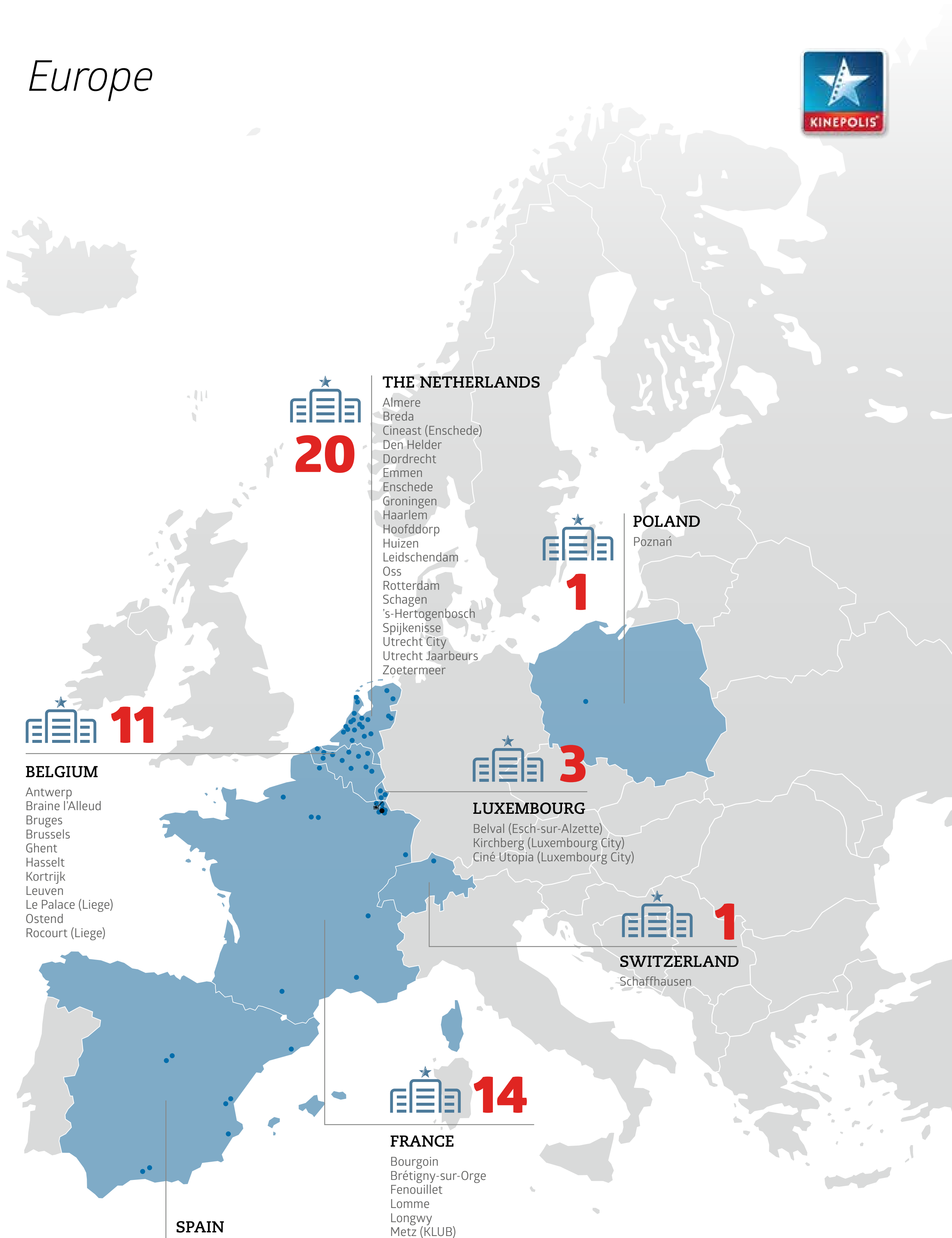
Following the acquisition of MJR Digital Cinemas in October 2019, Kinepolis also has **10 cinema complexes** in Michigan (USA).

108 COMPLEXES

1 097 SCREENS

194 290 SEATS

Europe



20

THE NETHERLANDS

Almere
Breda
Cineast (Enschede)
Den Helder
Dordrecht
Emmen
Enschede
Groningen
Haarlem
Hoofddorp
Huizen
Leidschendam
Oss
Rotterdam
Schagen
's-Hertogenbosch
Spijkenisse
Utrecht City
Utrecht Jaarbeurs
Zoetermeer

1

POLAND

Poznań

11

BELGIUM

Antwerp
Braine l'Alleud
Bruges
Brussels
Ghent
Hasselt
Kortrijk
Leuven
Le Palace (Liege)
Ostend
Rocourt (Liege)

3

LUXEMBOURG

Belval (Esch-sur-Alzette)
Kirchberg (Luxembourg City)
Ciné Utopia (Luxembourg City)

1

SWITZERLAND

Schaffhausen

14

FRANCE

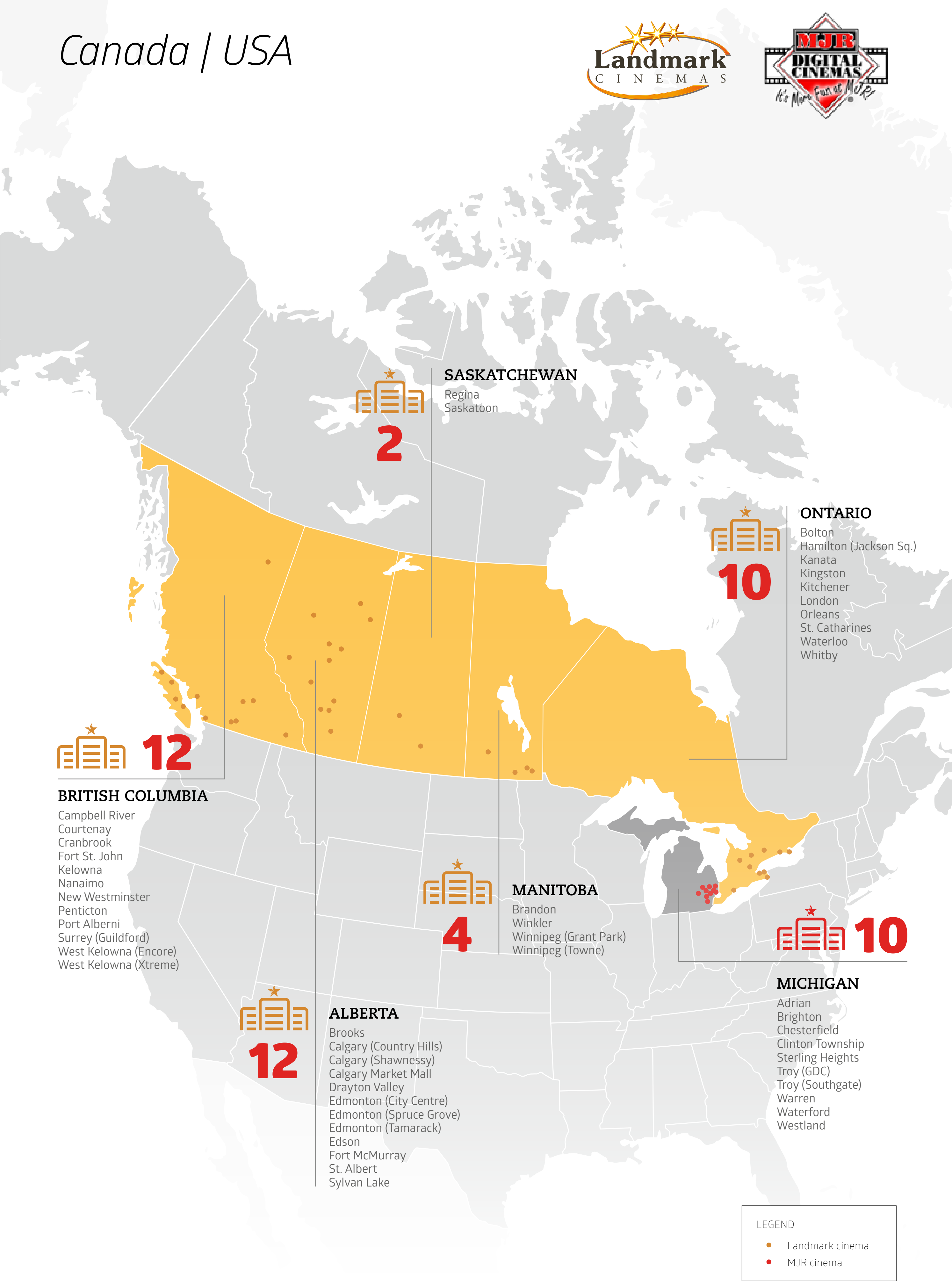
Bourgoin
Brétigny-sur-Orge
Fenouillet
Lomme
Longwy
Metz (KLUB)
Metz Waves
Mulhouse
Nancy
Nimes
Rouen Saint-Sever
Servon
St. Julien-lès-Metz
Thionville

8

SPAIN

Alicante
Alzira
Barcelona
Ciudad de la Imagen (Madrid)
Diversia (Madrid)
Nevada (Granada)
Pulianas (Granada)
Valencia

Canada | USA



SASKATCHEWAN
2
Regina
Saskatoon
ONTARIO
10
Bolton
Hamilton (Jackson Sq.)
Kanata
Kingston
Kitchener
London
Orleans
St. Catharines
Waterloo
Whitby
12
BRITISH COLUMBIA
Campbell River
Courtenay
Cranbrook
Fort St. John
Kelowna
Nanaimo
New Westminster
Penticton
Port Alberni
Surrey (Guildford)
West Kelowna (Encore)
West Kelowna (Xtreme)
MANITOBA
4
Brandon
Winkler
Winnipeg (Grant Park)
Winnipeg (Towne)
10
MICHIGAN
Adrian
Brighton
Chesterfield
Clinton Township
Sterling Heights
Troy (GDC)
Troy (Southgate)
Warren
Waterford
Westland
12
ALBERTA
Brooks
Calgary (Country Hills)
Calgary (Shawnessy)
Calgary Market Mall
Drayton Valley
Edmonton (City Centre)
Edmonton (Spruce Grove)
Edmonton (Tamarack)
Edson
Fort McMurray
St. Albert
Sylvan Lake
LEGEND
Landmark cinema
MJR cinema

New openings in 2021

Despite the Covid-19 pandemic that continued to hold us in its grip in 2021, Kinepolis has invested in various new cinemas. Cinema complexes were opened at new locations in the Netherlands, France and Canada in the past year. An additional opening in Metz, France is planned in 2022.

Kinepolis Haarlem (NL)

Kinepolis Leidschendam (NL)

KINEPOLIS HAARLEM

Kinepolis Haarlem, located in Centrum Schalkwijk, originally opened its doors on 8 October 2020, but had to close again just a month and a half later due to the pandemic. With the reopening of the Dutch cinemas in June 2021, the cinema was able to start for real. Kinepolis Haarlem has 6 screens and 937 seats, with all screens equipped with laser projection, including one Laser ULTRA auditorium. The opening of a new cinema fits in with the redevelopment of Centrum Schalkwijk. The project for the new cinema in Haarlem was acquired by Kinepolis as part of the acquisition of NH Cinemas in January 2018.

KINEPOLIS LEIDSCHENDAM

Together with the reopening of the Dutch cinemas on 5 June 2021, the brand new Kinepolis cinema in the 'Westfield Mall of the Netherlands' shopping centre in Leidschendam also opened its doors. The cinema was inaugurated on September 13, with the Dutch premiere of 'Dune'.

The 'Westfield Mall of the Netherlands' is a project by Unibail-Rodamco-Westfield, with the Leidsenhage shopping centre being transformed into the largest shopping centre in the Netherlands. Kinepolis Leidschendam has 11 screens, and Kinepolis expects to welcome around 500 000 visitors per year. Kinepolis Leidschendam received the 'Best New-Build of the Year' award from the International Cinema Technology Association (ICTA).

ICTA
INTERNATIONAL CINEMA TECHNOLOGY ASSOCIATION
Award

KINEPOLIS METZ WAVES

With the reopening of the French cinemas on 19 May 2021, the new Kinepolis cinema in the Waves-Actisud commercial centre in Moulins-lès-Metz (FR) also welcomed visitors for the first time. The cinema has 6 screens and around 900 seats. Kinepolis expects to welcome around 300 000 visitors per year to this new French complex.

LANDMARK TAMARACK

Landmark Cinemas Canada opened a brand new cinema at the 'Grove on 17' site in the Tamarack region of Southeast Edmonton, Alberta, on 10 June 2021. All eight movie theatres feature Landmark's luxurious recliner seating concept in a full stadium setup, and each theatre also features *Premiere Seats*, the cosy seat version of the recliner seats. The new cinema is fully equipped with Barco laser projection from Cinionic, and also has a MarketPlace shop, in line with the well-known Kinepolis shop concept.

Kinepolis Metz Waves (FR)

Landmark Cinemas Tamarack (CA)

©Greff Hypolite Arch

Looking ahead

KINEPOLIS METZ AMPHITHÉÂTRE (2022)

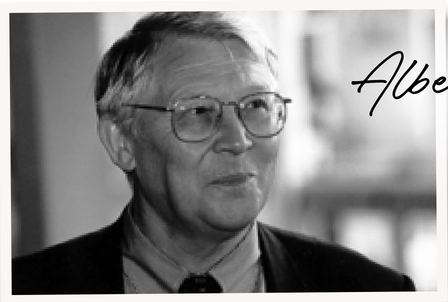
Another new Kinepolis cinema will open in the French city of Metz, more specifically in the Quartier de l'Amphithéâtre, in the third quarter of 2022. Following Kinepolis Saint-Julien-lès-Metz (the first French complex of Kinepolis, opened in 1995), the KLUB arthouse cinema in the city centre (opened in 2018) and Kinepolis Metz Waves (opened in 2021), this is the Group's fourth cinema in the region. Kinepolis Metz Amphithéâtre will have 8 screens, and Kinepolis expects to receive around 300 000 visitors a year.

06 Our brands

KINEPOLIS, OUR BRAND IN EUROPE

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

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



Albert Bert

First cinema in Harelbeke

On the stock market since 1998

KLUB, THE ART HOUSE CINEMA CONCEPT OF KINEPOLIS

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

Kinepolis Metz Waves (FR)

MJR Digital Cinemas Partridge Creek (US)

©Charles V. Tines – The Detroit News

Landmark Cinemas Tamarack (CA)

LANDMARK CINEMAS, OUR BRAND IN CANADA

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

MJR DIGITAL CINEMAS, OUR BRAND IN THE USA

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

07 Our visitors

CINEMA IS FOR EVERYONE

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

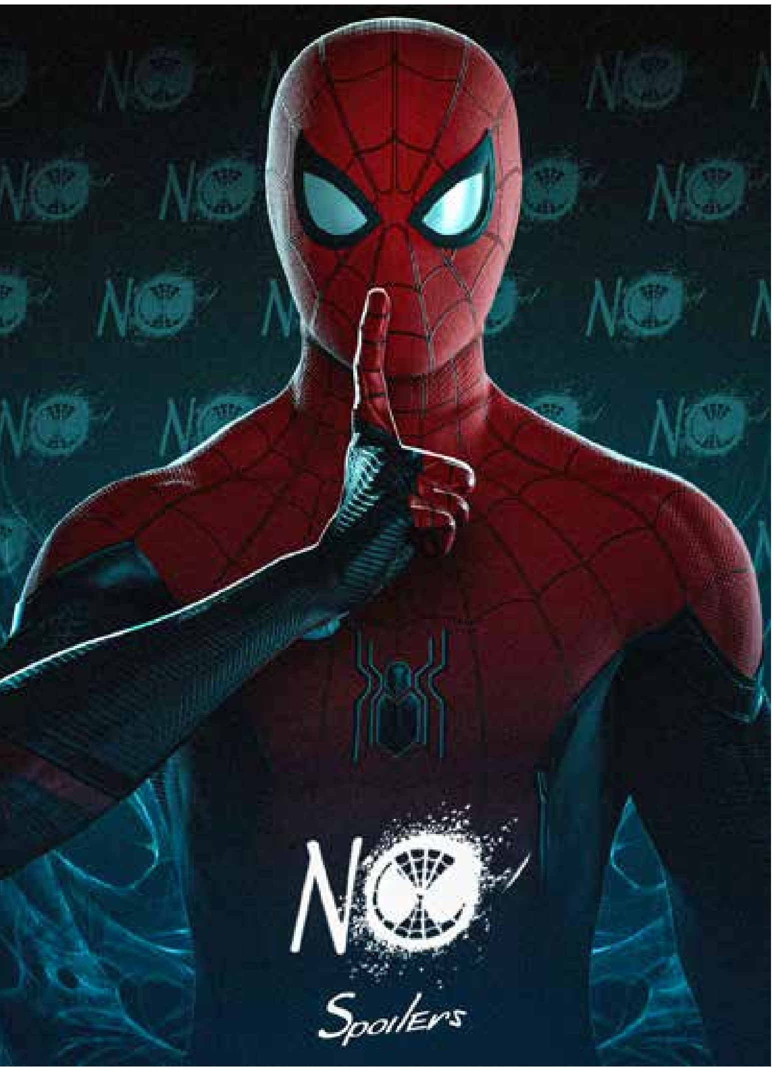
VISITORS TO CORPORATE EVENTS

Many visitors find their way to the cinema through corporate events. 9.0% of our revenue in 2021 was generated by business-to-business activities. This can be avant-premieres, congresses, private film screenings, company presentations, and so on.

B2B events

08 Core activities

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



BOX OFFICE

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

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

Alternative content

OPERA IN THE CINEMA

ART IN THE CINEMA

BALLET IN THE CINEMA

THEATRE IN THE CINEMA

In-theatre sales Kinepolis Leidschendam (NL)

IN-THEATRE SALES

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

MarketPlace Calgary, Shawnessy (CA)

BLUE MOON Studios, Kinepolis Antwerp (BE)


Global eSports Summit (2021), Kinepolis Madrid (ES)

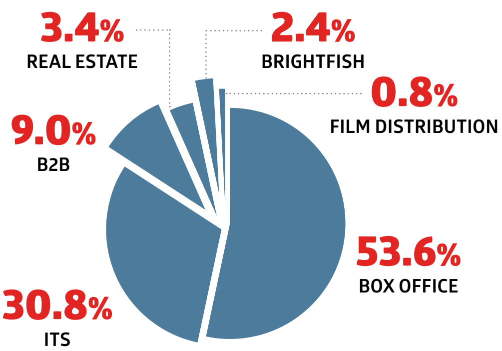
Studio for physical, virtual and hybrid events

Film Fest Ghent, Kinepolis Ghent (BE)

BUSINESS-TO-BUSINESS

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

REVENUE
PER ACTIVITY IN 2021



REAL ESTATE

Kinepolis has a department that is tasked with the coordination of the management, utilisation and development of the Group's property portfolio. Kinepolis stands out from many other cinema operators thanks to its unique real estate position, as the Group owns a big part of its real estate (49 cinemas, which together generate 59% of the visitors). In the cinemas that Kinepolis owns, more than 90 000 m² are leased to third parties. The flow of customers to these businesses (mainly shops and cafés) is mostly generated by the presence of the cinema.

DIGITAL CINEMA SERVICES

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

FILM DISTRIBUTION IN BELGIUM AND LUXEMBOURG

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

SCREEN ADVERTISING IN BELGIUM

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

Kinepolis Fenouillet (FR)

09 Business environment

After a record year for the worldwide Box Office in 2019, the outbreak of the Corona virus led to lengthy closures in all countries from the spring of 2020, interspersed with periods when moviegoing was subject to strict measures, such as a mandatory face mask, a Covid pass and capacity restrictions.

This resulted in the market environment in which cinemas operate being seriously disrupted over the past two years, all over the world.

The eagerness of film lovers to return to cinemas after a lockdown was largely driven by the films on offer. While Hollywood films were still massively postponed in 2020 for fear of empty theatres, the rising vaccination rate in 2021 provided for more confidence, with blockbuster releases resuming in the second half of the year. In the summer, *Fast & Furious 9* and *Black Widow* appeared to be a foretaste for the success of, among others, *Dune*, *No Time To Die* and *Spider-Man: No Way Home* in the autumn.

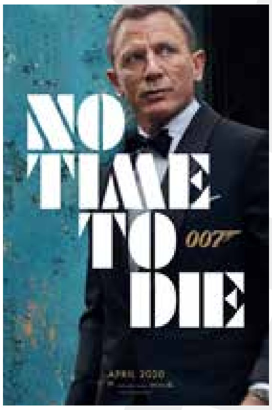
SHORTENING OF WINDOWS

The strategy of Hollywood studios has always been to maximise the economic potential of a film through optimal release in cinemas and on other media. In this regard, the exclusive theatrical window (the period in which a film is exclusively available in cinemas) has been reduced constantly over the past 25 years, as payment-based home entertainment channels emerged. The shortening of this period has led to more content, i.e. to a larger and richer range of cinema films on offer, though with a shorter lifespan. The substantial rise in the number of providers (including streaming platforms) has also contributed to the increased range of films on offer.

The Covid-19 pandemic has fuelled a strong growth in home entertainment, as people were forced to stay at home. Studios experimented, looking for cash while cinemas were closed for long periods or limited in their operations. Hollywood studios' own, new streaming services emerged to compete with Netflix and Amazon, among others. Premium VOD (PVOD) emerged, with films offered for home consumption faster at a premium price. Some studios also experimented with a more controversial day-and-date release, with a movie becoming available at home and in the cinema at the same time.

However, most films, and especially blockbusters, were postponed during the pandemic in favour of an exclusive cinema release at a more favourable time. After all, cinemas have often proven to be indispensable for maximising the revenue of a film. Or as expressed within the sector: *'there's no substitute for Box Office revenue'*. Much of the revenue generated in cinemas flows back to the producer, which is much less the case with other carriers and platforms. In addition, a cinema release acts as a driving force for the promotion and marketing of a film, impacting all subsequent links throughout the film's lifespan. Several Box Office successes in 2021, which demonstrated that strong films are succeeding in bringing audiences back to cinemas – even in the context of a pandemic – strengthened confidence in the cinema model among producers and distributors. As the intensity of the pandemic wears off, we are seeing a return to the pre-pandemic theatrical release approach.

Cinemas often prove to be indispensable for maximising the revenue of a film.



Top 5 films of 2021


André Rieu, Together again, Concert in the Cinema

CONTENT SELECTION AND TARGETED PROMOTION

As described earlier, the shortening of the theatrical window and the increase in content providers mean that we, as a cinema operator, are programming more and more films. This also has an impact on the marketing impact that distributors can still achieve today. After all, having more films that follow each other quickly makes it more difficult to create awareness and traction around a certain film among the general public. Thanks to relationship marketing, the role of cinemas in the field of content selection and targeted promotion has consequently become increasingly important.

OUT-OF-HOME VERSUS HOME ENTERTAINMENT

Although cinemas and streaming platforms may seem to be fighting for audiences, the reality confirms that they are actually complementary. Films shown in the cinema and on streaming platforms are moving closer together in time, but remain two fundamentally different customer experiences. Film buffs want to continue watching films in the cinema and at home. While streaming mainly competes with linear TV, cinema mainly competes with other out-of-home entertainment (e.g. a drink on a terrace or a sporting event). Cinema is a social thing, a night out.

It's up to producers, distributors and cinemas to make the right choices for each film as to where, when and under what conditions it will be shown. With one common goal: to maximise the economic potential of a film in order to continue to support the quality of future film offerings.

MORE EXPERIENCE

The more extensive and more accessible the content on offer, the more important experience as a distinguishing factor for cinemas. Going to the cinema is a night out, an event. Cinemas are able to play their trump cards especially for films with an intense cinematographic experience, in other words those that you really have to see on the big screen, and films with a large fan base that are eagerly anticipated. In recent years, Kinepolis has invested heavily in all the aspects that can raise the customer experience to a higher level and thereby generate more turnover per visitor. The success of premium movie experiences – ranging from the best laser projection and immersive sound, to various seating concepts and thematic events – ensured that the market has continued to grow in terms of turnover in recent years, even in years where visitor numbers did not. Focusing on experience and quality pays off, now even more than ever. The rise of 'event cinema' illustrates this development. Exclusive pop concerts, opera, stand-up comedy, sports competitions, etc.: in recent years cinema has become much more than 'watching a movie'. Kinepolis' multiplexes have turned out to be real entertainment centres.

DEMOGRAPHIC FACTORS

Cinemas have to adapt to the ageing of the population and appeal to the widest possible audience, while Hollywood's blockbuster offerings often appeal to a younger audience. In addition, the increasingly significant proportion of people with a migration background is causing an increasing cultural diversity in society. Kinepolis therefore adopts an active programming approach, whereby the international blockbuster offer is supplemented with local films, author films and alternative content, depending on the composition and demand of the public. After all, local titles often score best with a slightly older population, and multicultural films (such as Japanese, Polish, Turkish, Indian, Russian and Chinese blockbusters) appeal to specific communities with a migration background in cities. As accessible entertainment, cinema is at the heart of society, and the offer must therefore evolve with demographic and other social developments. The increased diversity in society is reflected in an increasingly diverse range of content on offer.


Premiere 'K3, Dans van de farao', Kinepolis on tour (BE)


Cosy Seats, Kinepolis

Laser ULTRA, Landmark Cinemas (CA)

Market information 2021

AUDIENCES RETURN TO THE BIG SCREEN ACROSS EUROPE

European cinema admissions increased by an estimated 38% in 2021, with over 590 million visits across the region. Box office reached an estimated € 3.7 billion, an increase of 42% on the previous year.

These positive results amply illustrate the industry's resilience and the eagerness of European audiences to return to the Big Screen.

At EU level – including the UK – over 400 million tickets were sold in cinemas, worth an estimated € 2.9 billion at the box office, all this when most screens across the region were closed for the first half of the year and operating for the following six months under limited occupancy and additional restrictions.

"

Recovering European cinemas see 42% box office growth in 2021

The impact of the Covid-19 pandemic on the European cinema industry remains significant. Compared to results for Europe in 2019, a particularly successful year for the sector, 2021 admissions were still lagging 56% behind, while box office was down by an estimated 57%. Comparing results for the second half of 2019 with the same period in 2021, box office revenue, for the territories where data is available, was on average 35% below pre-pandemic levels. Major territories such as France (-22% for H2 2021 compared to H2 2019), the UK (-26%), Russia (-29.5%) or Poland (-24.3%) nevertheless serve to demonstrate the strength of the sector's recovery in recent months.

As has been the case in the past, box office was mainly driven by major international titles including *Spider-Man: No Way Home*, *No Time to Die*, *F9: The Fast Saga*, *Venom: Let There Be Carnage* and *Dune*. *Spider-Man: No Way Home* in particular served as further evidence of cinemas' capacity to attract audiences and create global events even during challenging times, with over $ 1.77 billion grossed at the global box office as of today – the sixth biggest result of all time.

At the same time, and as was witnessed in 2020, local titles have played a key role in the recovery process. National films' market shares were higher than normal years across the region, most impressively in France (40.8%), Czech Republic (38.3%) and Denmark (37.0%). The Serbian biopic *Toma* managed to outperform *Spider-Man: No Way Home*, dominating at the box office in Serbia and neighboring Bosnia and Herzegovina.

It is only with the support of local and international distributors that cinema operators will be able to confidently recover from this incomparable period of challenge. A strong and diverse film slate will be key to attracting audiences to the Big Screen.

The broad range of support mechanisms that have been made available to the sector in Europe have also been crucial, protecting livelihoods and covering some of the significant losses incurred by industry. But now is not the time for policy makers to ease those efforts aimed at ensuring the survival of local cinemas, whatever their size and location.

2022 will be a pivotal year for the industry. Leading industry analysts *Gower Street Analytics* have forecasted a tentative estimate of $ 7.8 billion (+75% on 2021) and $ 33.2 billion (+55%) for EMEA and global box office respectively.

Source: Press Release International Union of Cinemas (UNIC) of 7 February 2022.
UNIC is the European trade grouping representing cinema exhibitors and their national trade associations across 39 European territories
More information available on unic-cinemas.org.

TENTATIVE MARKET PERFORMANCE INDICATORS FOR 2021 (WHERE AVAILABLE)

BOX OFFICE (MILLION, IN LOCAL CURRENCY)

COUNTRY (CURRENCY)	2021	2020	2020-2021 CHANGE	2019-2021 CHANGE	2021	2020	2020-2021 CHANGE
Albania (ALL)	107.0	80.7	+32.7%	-69.8%	0.2	0.1	+26.4%
Austria (EUR)	52.7	34.6	+52.0%	-59.3%	5.2	3.8	+35.6%
Belgium (EUR)	n/a	46.9	n/a	n/a	7.9	5.5	+42.8%
Bosnia and Herzegovina (BAM)	6.8	2.1	+227.4%	-0.8%	1.1	0.4	+188.3%
Bulgaria (BGN)	24.7	12.7	+94.5%	-49.7%	2.6	1.3	+90.9%
Croatia (HRK)	93.6	44.6	+109.9%	-40.2%	2.6	1.4	+87.3%
Cyprus (EUR)	2.1	1.5	+42.6%	-67.9%	0.3	0.2	+44.6%
Czech Republic (CZK)	1 088.9	906.0	+20.2%	-58.4%	7.1	6.4	+11.9%
Denmark (DKK)	654.6	627.2	+4.4%	-39.9%	6.8	7.2	-4.4%
Estonia (EUR)	8.2	10.8	-24.1%	-62.3%	1.4	1.8	-23.7%
Finland (EUR)	43.5	43.6	-0.3%	-54.7%	3.4	3.9	-11.7%
France (EUR)	636.5	432.6	+47.1%	-56.1%	96.0	65.2	+47.2%
Germany (EUR) [1]	362.0	287.7	+25.8%	-62.5%	40.5	34.2	+18.4%
Greece (EUR)	19.5	19.9	-2.2%	-68.1%	3.1	3.1	-2.2%
Hungary (HUF)	9 680.6	6 508.4	+48.7%	-56.3%	6.2	4.3	+44.7%
Ireland (EUR)	47.2	29.9	+57.6%	-59.8%	5.8	3.8	+51.7%
Israel (ILS)	275.9	77.6	+255.5%	-50.0%	8.4	2.5	+239.6%
Italy (EUR) [2]	169.4	182.5	-7.2%	-73.4%	24.8	28.1	-11.9%
Latvia (EUR)	3.1	5.1	-39.2%	-79.3%	0.5	0.9	-44.0%
Lithuania (EUR)	7.8	8.5	-8.5%	-65.5%	1.3	1.5	-12.8%
Montenegro and Serbia (RSD) [3]	1 489.3	611.9	+143.4%	-23.8%	3.4	1.6	+115.6%
Netherlands (EUR)	143.3	151.6	-5.5%	-58.8%	14.3	16.8	-14.6%
North Macedonia (MKD)	40.0	24.6	+62.9%	-60.9%	0.2	0.1	+39.6%
Norway (NOK)	678.4	557.7	+21.6%	-48.0%	5.7	4.9	+16.7%
Poland (PLN)	530.9	357.2	+48.6%	-53.6%	29.0	19.7	+47.2%
Portugal (EUR)	30.6	20.6	+48.7%	-63.2%	5.5	3.8	+43.8%
Russia (RUB)	40 700.0	22 900.0	+77.7%	-25.7%	145.7	88.9	+63.9%
Slovakia (EUR)	12.4	14.0	-11.6%	-66.9%	2.0	2.4	-13.8%
Slovenia (EUR)	3.9	2.9	+34.5%	-69.2%	0.7	0.5	+22.4%
Spain (EUR)	252.3	172.3	+46.4%	-59.6%	41.4	28.6	+44.7%
Sweden (SEK)	802.5	676.3	+18.7%	-57.6%	6.0	5.7	+6.4%
Switzerland (CHF)	87.0	69.3	+25.6%	-56.1%	5.5	4.5	+22.5%
Turkey (TRY)	285.3	302.6	-5.7%	-70.9%	12.5	17.5	-28.9%
UK (GBP)	557.0	296.8	+87.7%	-55.5%	76.2	44.0	+73.2%
Ukraine (UAH)	1 749.5	992.8	+76.2%	-39.3%	15.8	10.0	+58.4%
EUROPE (EUR)	**3 670.0**	**2 580.0**	**+42.0%**	**-57.0%**	**590.0**	**430.0**	**+38.0%**
EU27 & UK (EUR)	**2 950.0**	**2 140.0**	**+38.0%**	**-59.0%**	**400.0**	**300.0**	**+33.0%**

All the figures above are estimates. Final results to be shared in Spring 2022.

(1) Comscore preliminary data: 90% of the market.
(2) Cinetel data: 95% of the market.
(3) Montenegro and Serbia figures are combined.

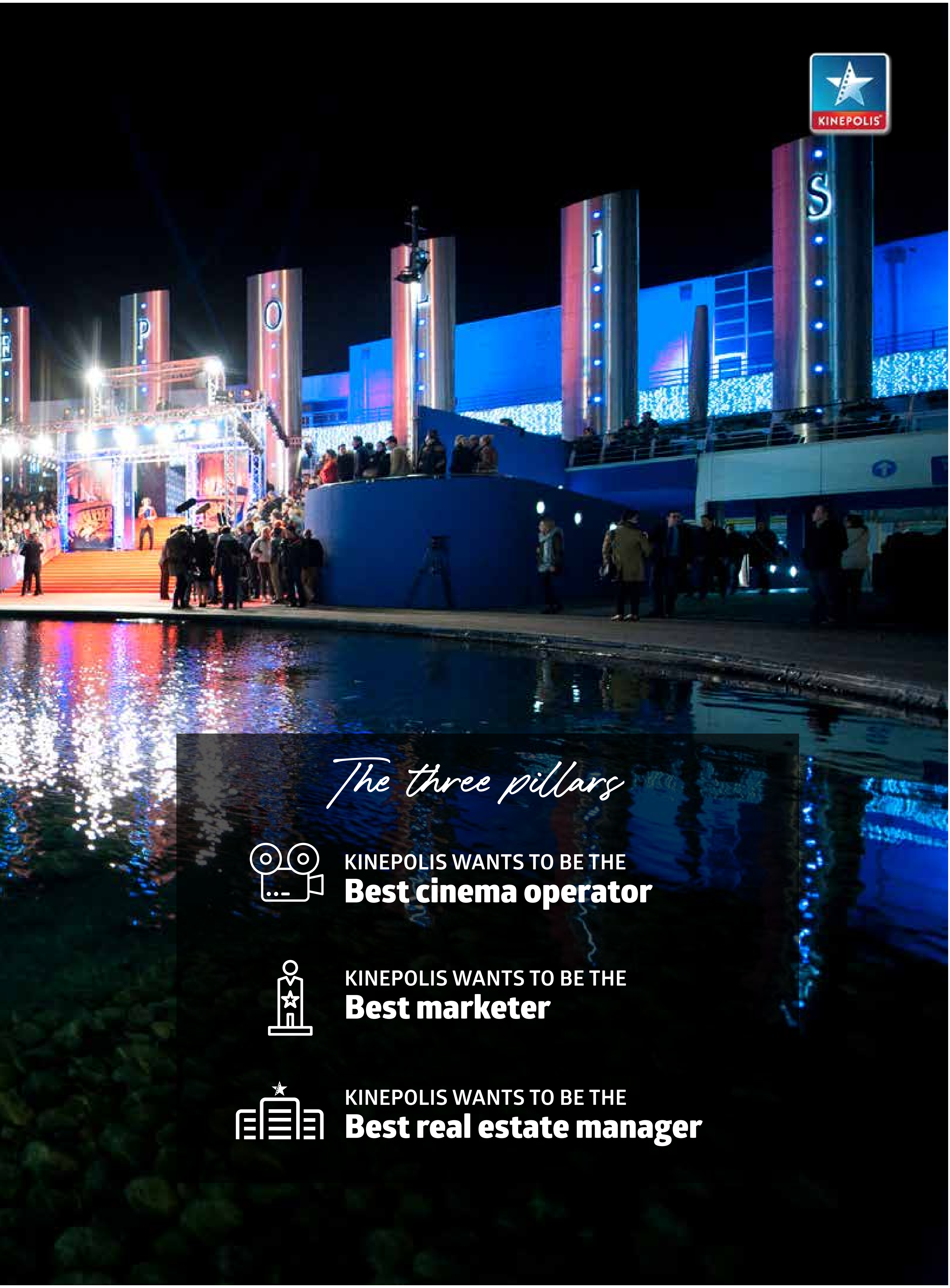
10 Our strategy

Kinepolis Antwerp (BE)

The Ultimate Movie Experience

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

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



The three pillars

KINEPOLIS WANTS TO BE THE
Best cinema operator

KINEPOLIS WANTS TO BE THE
Best marketer

KINEPOLIS WANTS TO BE THE
Best real estate manager

Best cinema operator

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

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

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

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

EMPLOYEES BECOME ENTREPRENEURS

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

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

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

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

Opening of Kinepolis Metz Waves (FR)

Entrepreneurship is stimulated to the maximum

Thanks to everyone's responsibility and quick action, Kinepolis was able to further reduce its fixed costs. The past two years budget owners and their teams were challenged more than ever to think about solutions and be creative in managing 'their' business.

CUSTOMER SATISFACTION INDEX

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

PEOPLE SATISFACTION INDEX

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

MEASURING IS KNOWING

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

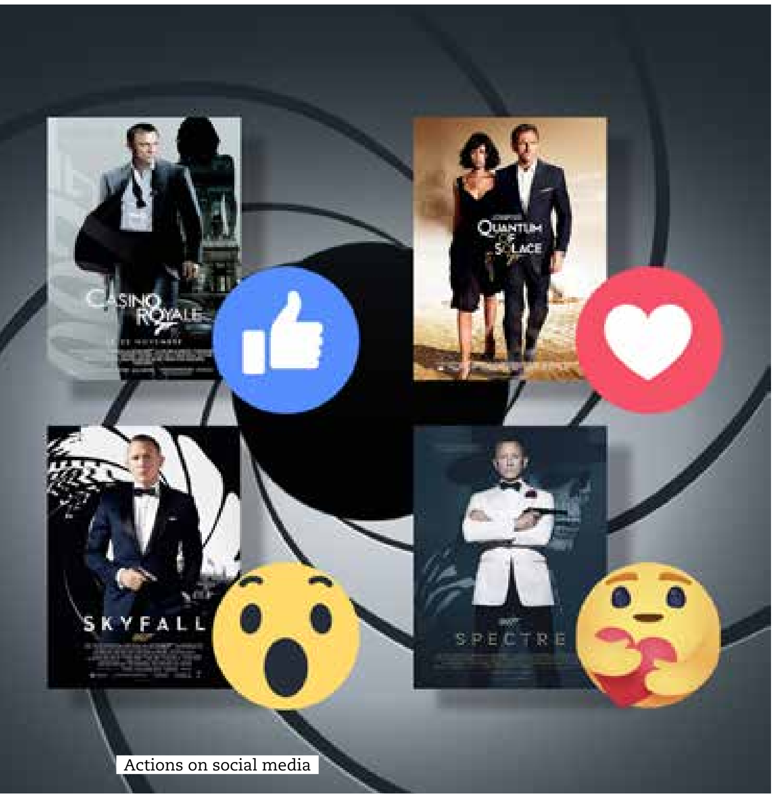
INVESTING IN TALENT

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

Best marketer

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

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



Actions on social media

RELATIONSHIP MARKETING

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

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

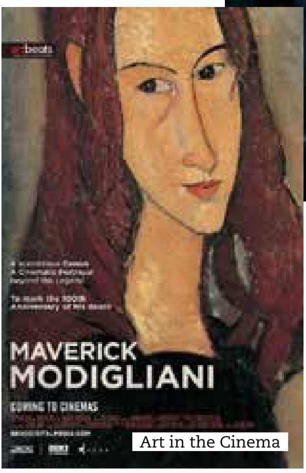
MARKETING AS A SERVICE

In Europe, we can now reach 5.6 million customers via email marketing (against a customer base that we estimate has more than 7.2 million unique visitors at European level). More than 1.13 million of them have a subscription to the My Kinepolis newsletter. The e-mailings with recommendations for films and events only go to a limited target group, based on the knowledge that Kinepolis has built up about its customers. The average e-mailing in Belgium, for example, is sent to only 7% of the addresses in the database.

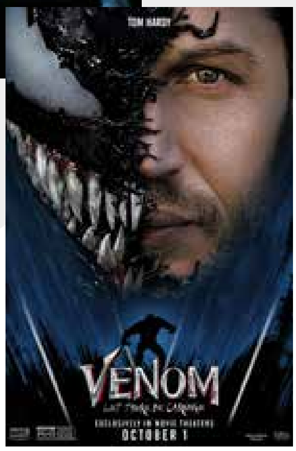
In Canada, we can reach 1.2 million customers through email marketing, 350 000 of whom have subscribed to the weekly Landmark newsletter.

In doing so, Kinepolis attaches the utmost importance to the protection of personal data. Respect for customers and respect for their data are inextricably linked, and Kinepolis takes both very seriously (see chapter 11: Impactful and responsible business).


The Magic Flute, Opera in the Cinema



Art in the Cinema



Japanese Anime

ACTIVE PROGRAMMING

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

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

EXPERIENCE

The experience offered is another important key to success. Given the growing range of content available via home entertainment, moviegoers are more than ever looking for an experience. Kinepolis is therefore investing fully in product innovation and experience concepts such as Cosy Seats, recliner seats, IMAX, Laser ULTRA, 4DX, ScreenX, and so on. The majority of these products fit in the further diversification of the product range, allowing Kinepolis to respond to the wishes of various target groups (see p. 58-59).

In addition, Kinepolis is fully committed to event formulas aimed at bringing like-minded people together, such as marathons, one-off concert performances, horror nights, kids weekends and so on.

Best real estate manager

Kinepolis owns a large part of its cinema real estate, specifically 49 complexes in which 59% of the visitors were generated in 2021.

CINEMA REAL ESTATE

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

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

Kinepolis 's Hertogenbosch (NL)

49 complexes in own hands


Kinepolis Nimes (FR)


Kinepolis Thionville (FR)

Giuliano, restaurant in Kinepolis Hasselt (BE)

©Studio EVF

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

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

Kinepolis Servon (FR)

Kinepolis Metz Waves (FR)

Expansion

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

Significant steps to implement the Group's expansion strategy have been taken in recent years. Since 2014, the number of cinemas in the Kinepolis portfolio has increased from 23 to 108.

Since the outbreak of the corona pandemic, Kinepolis has opened 4 new construction projects (see p. 20-21). In terms of acquisitions, the Group remains alert to opportunities, but is also cautious as long as the impact and uncertainty of the pandemic continue.

Kinepolis Leidschendam (NL)

EXPANSION STRATEGY BASED ON IMPROVEMENT POTENTIAL

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

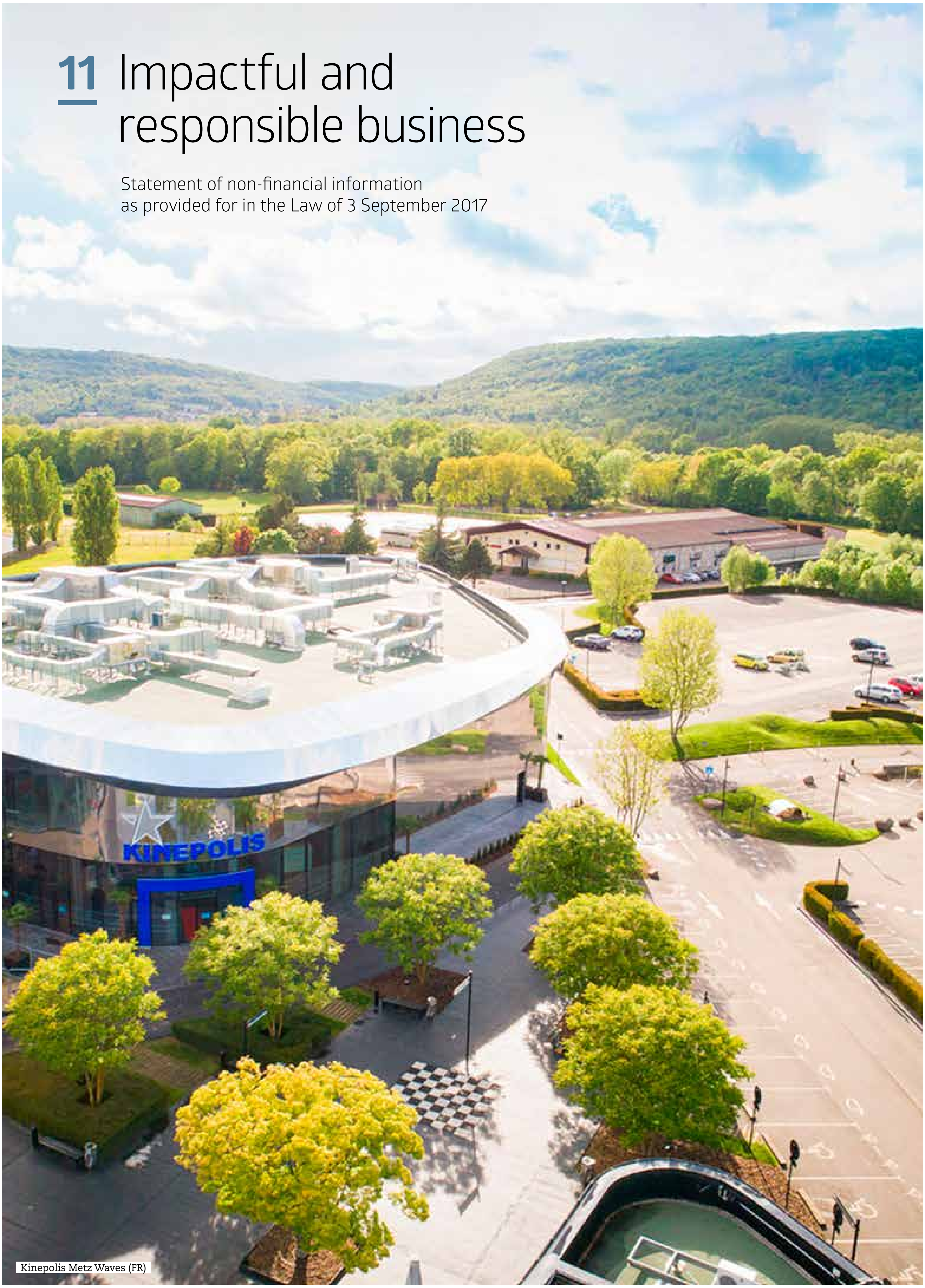
The Kinepolis Group organisation is structured according to its geographical markets. Each country has a national *Cinema Support Centre*, which controls and supports the cinemas in the respective country. When expanding into an existing market, the national team is responsible for the integration of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

In the event of acquisitions, Kinepolis will retain the local teams and management as much as possible. As an example, the management teams of Landmark Cinemas Canada and MJR Digital Cinemas remained largely the same. Apart from the social considerations, affinity with the local market and culture is an important aspect of Kinepolis' business operations. To date, no acquisition was accompanied by redundancies or reorganisations with a significant social impact.

Landmark Tamarack (CA)

11 Impactful and responsible business

Statement of non-financial information
as provided for in the Law of 3 September 2017



Kinepolis Metz Waves (FR)

Kinepolis is a part of the daily lives of people and, in addition to economic value creation, attaches the greatest importance to the social and ecological impact of its business operations.

In this respect, Kinepolis proceeds from a long-term vision, in which the creation of a positive impact on stakeholders and society, as well as reducing any negative impact as far as possible, automatically leads to a sustainable economic narrative. We are committed to creating 'shared value' starting from our purpose, i.e. enriching people's lives through the power of movies.

The ESG (Environmental, Social and Governance) aspects discussed in this report are an integral part of a policy aimed at the resilience of Kinepolis' activities and their impact. Kinepolis has taken various steps in the field of sustainability over the past decade and, starting in 2020, the Group launched a process under the guidance of the consultancy firm Sustainalize to further professionalise its sustainability approach and integrate this into the business strategy. The policy and framework being developed for this purpose will ensure that the interests of all stakeholders – and therefore the creation of a positive social impact – are more explicitly and pro-actively included in the company's daily decision-making processes and operation.

Although a strategic framework for this has already been developed, this will not be explicitly included in the current annual report, as it has not yet been implemented at the operational level. The implementation and internal communication in this regard are scheduled for 2022. The ongoing impact of the Covid-19 pandemic on our operations should also be taken into account in this respect. Nevertheless, updated commitments, as well as new emphases and performance indicators have already been included in this report where possible.


Kinepolis Nancy (FR)

STAKEHOLDER CONSULTATION AND MATERIALITY ANALYSIS

Kinepolis carried out an extensive stakeholder survey in September 2021 to gain insight into the opinions and expectations of stakeholders with regard to sustainability and the impact that Kinepolis, as an entertainment company, has on society. Stakeholders were asked which aspects they consider to be most relevant to Kinepolis with regard to the impact on stakeholders and society on the one hand, and concerning he impact on Kinepolis itself on the other hand.

The stakeholder survey was conducted on the basis of an online survey, supplemented with a number of qualitative interviews. Various stakeholder groups were involved in the study, namely:

- All permanent employees of Kinepolis Group in Belgium, the Netherlands, Canada, Spain, Luxembourg, France and the USA (46% response);
- Top 15 Investors (65% response);
- Top 50 suppliers (44% response);
- +30 000 B2C customers spread over Belgium, the Netherlands, Canada, Spain, Luxembourg, France and the USA (2% response);
- Board of directors and senior management (84% response).

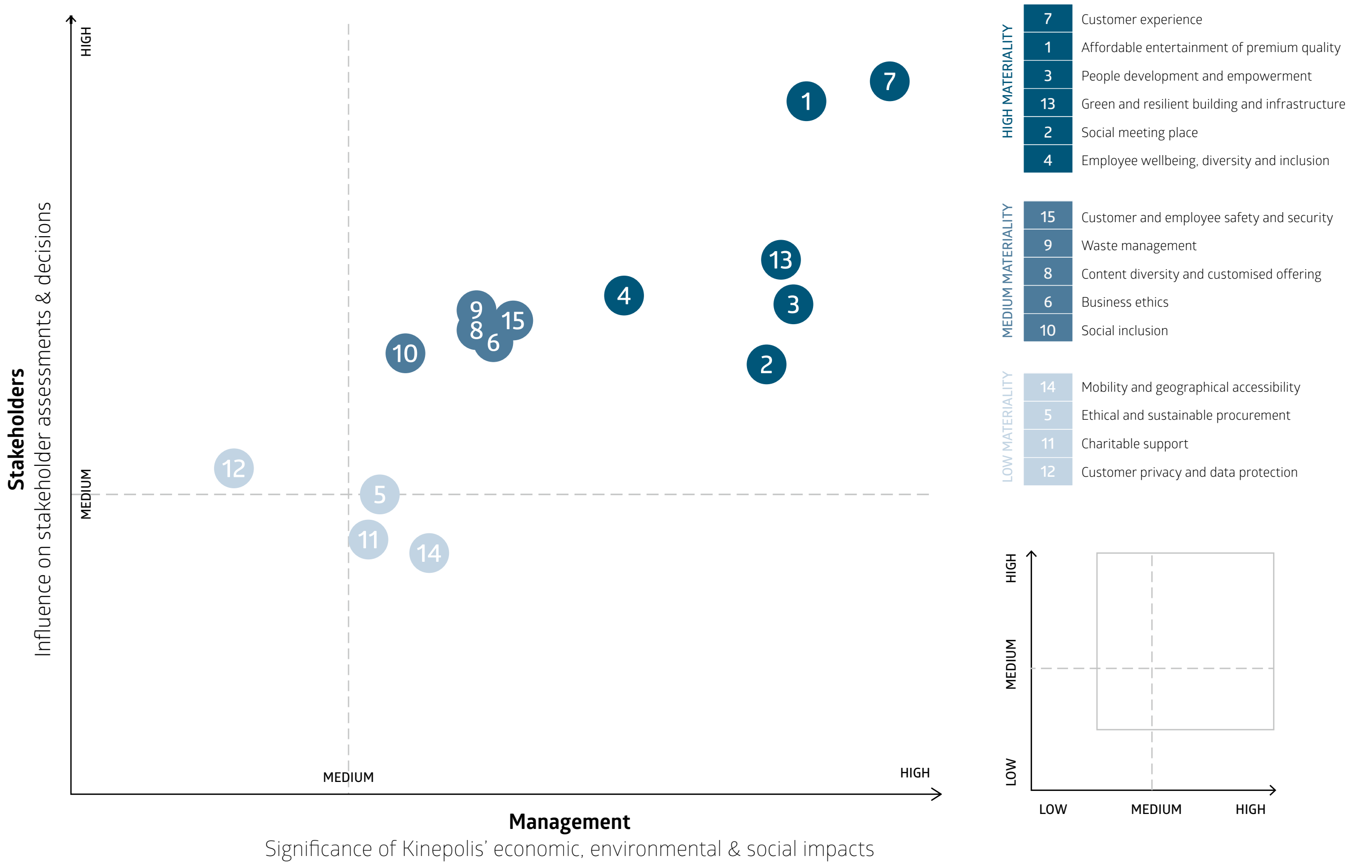
A materiality matrix was drawn up resulting from the stakeholder and management consultation, which indicates the aspects that stakeholders and management consider to be most relevant to Kinepolis. In addition – and on the basis of additional questions about the topics indicated as most material – the stakeholder survey also provided valuable qualitative information to management for the implementation of the strategy.

The list of topics covered in the stakeholder consultation was drawn up on the basis of peer analysis and desk research, as well as several workshops with senior management, with a view to an adequate and comprehensive reflection of all strategic aspects that lead to the creation of impact, in any way whatsoever.

The policy of Kinepolis on these subjects is explained in more detail in this chapter, with care for customers and local communities, employees, the environment and doing business with integrity as overarching themes.

In the past financial year, extra attention has been paid to the care of customers, employees and local communities in the light of the Covid-19 pandemic. Any risks associated with the care of customers, employees and the environment have been included in the description of the main business risks (see Corporate Governance, page 114-116).

MATERIALITY MATRIX KINEPOLIS



POLICY ON CARE FOR CUSTOMERS

(referring to topics 1, 2, 7, 8, 10, 11, 12, 15 from the materiality analysis)

Kinepolis strives to offer its customers a positive experience during each visit or contact by offering them a top-quality film experience, by providing clear information, interacting with them and responding to their wishes. Kinepolis takes all target groups into account in this regard, and this is reflected in both the film programming and the infrastructure of its cinemas.

In 2021, as in 2020, the greatest possible attention was paid to protecting the health of each and every customer by implementing and respecting the safety measures used to prevent the further spread of the Covid-19 virus. This was done in accordance with the measures imposed by the respective local authorities at all times.

POLICY ON CARE FOR EMPLOYEES

(referring to topics 3, 4 and 15 from the materiality analysis)

Kinepolis strives to be a company where people feel safe, listened to, motivated and valued. Kinepolis aims to develop talent and encourage employee development through its self-learning organisation, with bottom-up innovation and responsibility at its core.

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

Over the past two years, employee care was almost entirely focused on protecting everyone's health in light of the Covid-19 pandemic, and on guiding both teams and individual employees through the crisis. From the beginning of March 2020, Covid-19 had a significant impact on the operations of Kinepolis and all its employees, including long periods of unemployment and compulsory teleworking.

CARE FOR THE ENVIRONMENT

(referring to topics 9 and 13 from the materiality analysis)

Via its 'Green Star' programme, Kinepolis is also committed to shouldering its responsibilities with regard to caring for the environment. In this regard, Kinepolis aims to improve the energy efficiency of its cinema infrastructure and buildings every year, with a view to the CO_2 neutrality of its activities in the longer term. In addition, Kinepolis is resolutely committed to sustainable design and implementation of new construction projects, as well as the sustainable renovation of existing cinemas. In all the work on its buildings, new construction projects and renovations, Kinepolis monitors and takes into account the comfort of visitors and employees, with the ecological footprint also further reduced through the use of innovative, energy-friendly materials and building practices.

BUSINESS INTEGRITY POLICY

(referring to topic 6 from the materiality analysis)

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

REPORTING FRAMEWORK

In 2017, Kinepolis decided to structure its existing sustainability approach and frame it within the internationally recognised ISO 26000 standard *(Guideline for Corporate Social Responsibility)*. In anticipation of the further developments regarding standardisation of the current ESG reporting landscape, for which various initiatives are underway, and the new European directive *(Corporate Sustainability Reporting Directive, CSRD)*, as well as further developments relating to the EU Green Taxonomy, which are planned for the end of 2022, Kinepolis has opted to maintain the current framework for 2021. Once there is clarity about the outcome of the ongoing standardisation initiatives and the new European directive, Kinepolis will choose a new reporting framework for its non-financial reporting that is in line with its integrated strategy.

Kinepolis Leidschendam (NL)

EU TAXONOMY

This section contains the EU Taxonomy disclosures required by Article 8 of Regulation 2020/852 (the EU Taxonomy Regulation). Article 9 of the EU Taxonomy Regulation identifies the following six environmental objectives: a) climate change mitigation, b) climate change adaption, c) the sustainable use and protection of water and marine resources, d) the transition to a circular economy, e) pollution prevention and control, f) the protection and restoration of biodiversity and ecosystems.

The EU has published a catalog of economic activities that can be considered for the first two environmental objectives: climate change mitigation and climate change adaptation (the Climate Delegated Regulations).

The sectors currently covered include motion picture as well as real estate activities. For reporting in 2021, only the proportion of Taxonomy-eligible economic activities in turnover, capital expenditure (CapEx) and operating expenditure (OpEx) are required to be disclosed. Taxonomy-alignment will be determined and disclosed in subsequent reporting years.

EU TAXONOMY KPIs	ACTIVITY DESCRIPTION	TURNOVER	CAPEX (1)	OPEX (2)
Taxonomy-eligible activities (%)	13.3 Motion picture, video and television programme production (NACE code J59) 7.7 Acquisition and ownership of buildings (NACE code L68)	97.6%	99.6%	99.8%
Taxonomy-non-eligible activities (%)	Brightfish	2.4%	0.4%	0.2%
TOTAL		**100%**	**100%**	**100%**

(1) Total CapEx includes the acquisitions of intangible assets (excluding goodwill), property, plant and equipment and right-of-use assets. Our total CapEx can be reconciled to notes 9 and 11 of the financial report..
(2) Total OpEx consists of direct non-capitalised costs that relate to research and development, building renovation measures, short-term lease and maintenance and repair and any other direct expenditures relating to the day-to-day servicing of assets of property.

MEASURING PERFORMANCE WITH REGARD TO THE SUSTAINABILITY POLICY

In order to measure the effectiveness and efficiency of Kinepolis' sustainability policy measures, one or more Key Performance Indicators (KPI) were determined for the most material topics. In addition, descriptive performance indicators and examples will be cited throughout this report to illustrate the policy.

Kinepolis will continue to build on an integrated strategy in the coming years and will further intensify its efforts in the field of sustainability. An assessment of the possible risks related to these subjects will thereby be made on a regular basis, and it will be checked whether sufficient policy measures are in place to limit these risks.

In the table below, the aspects surveyed in the stakeholder consultation are linked to the relevant guidelines of the ISO 26000 standard, with an indication of the KPIs included in this report.

KEY PERFORMANCE INDICATORS (KPI)

	TOPICS INCLUDED IN THE MATERIALITY ANALYSIS	RELATED GUIDELINES ISO 26000	KPIs
Care for customers and local communities	• Premium entertainment for widest possible audience • Customer experience • Customer & employee safety & security • Social meeting place • Content diversification & customised offering • Customer data protection • Social inclusion • Charitable support	• Customer service, support, resolution of complaints and disputes • Protection of consumer health and safety • Honest marketing, factual and unbiased information and fair practices in concluding contracts • Consumer privacy and data protection • Education and awareness	CSI response: Customer Satisfaction Index in Europe and the USA 'Tell Us About Us' guest survey in Canada KPI 2020 – 2021: Customer safety evaluation - 'How satisfied were you with the safety/hygiene measures taken in light of Covid-19?'
Care for employees	• Employee development & Empowerment • Employee wellbeing, diversity & inclusion in the workforce	• Employment and employment relations • Working conditions and social protection • Social dialogue • Health and Safety at work • Personal development and training in the workplace	PSI response Number of 'budget owners' in relation to the total number of employees Performance cycle Internal mobility ratio
Care for the environment	• Green and resilient building & infrastructure • Waste management • Green mobility and geographical accessibility	• Prevention of environmental pollution • Sustainable use of resources • Mitigation of and adaptation to climate change	Carbon footprint Energy consumption per year Expressed in KWh/m^2 *KPIs were less relevant in 2020 and 2021 due to the impact of the Covid-19 pandemic (limited activity and/or closure, ventilation requirements)*
Integrity in business	• Ethical & Sustainable Procurement • Business ethics (anti-bribery, human rights, integrity in advertising)	• Human rights • Honest business practices	% of employees who have signed the Code of Conduct

Our customers

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

POLICY

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

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

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

KPI: CUSTOMER SATISFACTION INDEX

NUMBER OF COMPLETED CUSTOMER SURVEYS [1]	EUROPE	CANADA	USA [2]	TOTAL
2019	540 193	17 000	-	557 193
2020	219 635	4 190	-	223 825
2021	295 307	1 101	17 688	314 096

(1) Lower number of surveys in 2020 and 2021 due to significantly lower attendance figures as a result of long-term cinema closures and capacity constraints.
(2) The CSI survey was introduced in the MJR cinemas in the second quarter of 2021 (Brighton from the end of April, Waterford from the end of May and the other complexes from 1 June).

EVALUATION OF OUR POLICY: CUSTOMER SATISFACTION INDEX

The measurement of the efforts made by Kinepolis with regard to the customer experience is carried out on a continuous basis via the Customer Satisfaction Index (CSI) in Europe and the USA and the 'Tell Us About Us' guest survey in Canada. Kinepolis received a total of 314 096 completed surveys in 2021, 295,307 of which in Europe, and 18 789 in North America. It is important to note in this regard that the number of surveys was strongly influenced by the lower visitor numbers as a result of the long-term closure of cinemas and capacity restrictions. After all, many cinemas were closed half the time in 2021.

All European and, from June 2021, also all American visitors who buy tickets online and leave their email address receive an invitation to tell Kinepolis about their experience within 24 hours of their cinema visit. Those who do not buy online can share their opinions via a form on the Kinepolis website. The questions relate to various aspects of the customer experience: how did they like the film, the quality of the picture and sound, the service, cleanliness, customer friendliness, waiting times and so on. Customers can also submit suggestions in this way.

The 'Tell Us About Us' survey is not yet offered by email in Canada, but is available via the website. Customers are encouraged to fill in the survey by the cinema staff, as well as by communication in the pre-show. However, due to the challenging operating conditions, this was not promoted in 2021, resulting in a significantly lower response rate for Canada. Landmark Cinemas will implement Kinepolis' CSI process (where online customers are automatically contacted after a cinema visit) in Canada in 2022.

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

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

LAUNCH OF THE LANDMARK EXTRAS LOYALTY PROGRAMME (CA)

Landmark EXTRAS was launched on 21 September 2021, and offers movie lovers three formulas: Movie Fan, a free programme for collecting points with every purchase; Movie Insider, a formula based on an annual fee that allows you to collect more points; and Movie Club, a subscription formula with a fixed monthly fee for one free cinema visit and all subsequent visits at a reduced price, as well as other benefits for members.

At the start of 2022, Landmark EXTRAS already had 190 000 active members, of whom almost 9 000 were Movie Club subscribers.

SUPERFAN FEEDBACK (BE)

Kinepolis interviewed a number of Belgian superfans in the autumn of 2021. Movie lovers who have been coming to the cinema every week for years shared their experiences and suggestions for improvement, and saw their passion for film and Kinepolis rewarded with ten free film tickets.

Extras for loyal customers

GRUPO DE AMIGOS (ES)

In 2021, Kinepolis Spain relaunched the 'Grupo de Amigos', in which customers who complete more than 80% of their online MyKinepolis profile and subscribe to the MyKinepolis newsletter enjoy special benefits, including, in addition to a free birthday ticket, a monthly 'Grupo de Amigo' newsletter with exclusive promotions, invitations and competitions, as well as discounts on films that are about to be taken off the programme.

COVID-19 SAFETY PROTOCOL

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

As in 2020, Kinepolis applied a strict safety protocol in its cinemas in 2021, drawn up in consultation with sector federations and competent authorities in order to protect everyone's health. Although these protocols had a different elaboration in each country where the Group is active and have been continuously adjusted according to the actualities of that moment, they all start from a common basis:

- Managing the flow of visitors to, from and in the cinema.
- Maintaining appropriate social distancing throughout the entire cinema visit. With regard to the distance to be respected in theatres, the regulations have varied per country and over time, taking into account, among other things, the introduction of the Covid pass (vaccination, recovery or test certificate) and a ban on the consumption of drinks and snacks.
- Capacity restrictions per auditorium or cinema in accordance with the legal regulations in the relevant country or province.
- Introduction of the Covid pass in countries or provinces where this was legally required, or where the alternative measures made a profitable cinema operation impossible.
- Mandatory face mask during the entire cinema visit, with the exception of (rather short) periods just after the introduction of the Covid pass in a number of countries.
- Optimisation of ventilation and air purification systems.
- Strict safety and hygiene measures in all areas and in all interactions with staff (hand sanitising, contact surface disinfection, etc.).

In the execution of this protocol, measures were taken in the areas of seating capacity, programming and visitor flow, as well as ticket purchase and scanning. A temporary ban on the sale and consumption of snacks and drinks was also among the measures imposed in a number of countries.

Physical contacts between customers and employees were reduced to an absolute minimum. As such, buying tickets online was encouraged as much as possible for all cinemas. Measures were also taken in the shops, among other things by facilitating the online sales of drinks and snacks (KineGo) and also by temporarily restricting sales to mainly pre-packaged products.

The number of film screenings was optimally distributed so that the number of cinema visitors could also be spread throughout the day in an optimum manner. In the first period after the restart in the summer of 2021, breaks were temporarily cancelled in order to avoid any gatherings in the common areas.

All safety measures were intensively communicated to our visitors through our online channels, as well as in the cinemas themselves. A special Covid-19 webpage was set up on both the Kinepolis and Landmark websites (www.kinepolis.com and www.landmarkcinemas.com respectively) with up-to-date information about the measures in the cinemas, as well as a list of frequently asked questions and answers.

Numerous employees were also deployed in the cinema to guide visitors where necessary and to actively point out the applicable measures and the desired behaviour.

VENTILATION

Kinepolis also reprogrammed its ventilation systems to ensure that a maximum supply of fresh outside air is used in all areas (instead of partially recycling used air, as is the case in normal times). In addition, mobile CO_2 meters are used in the theatres in Belgium.

KPI VISITOR SCORE
SAFETY AND HYGIENE MEASURES

78 to 86%

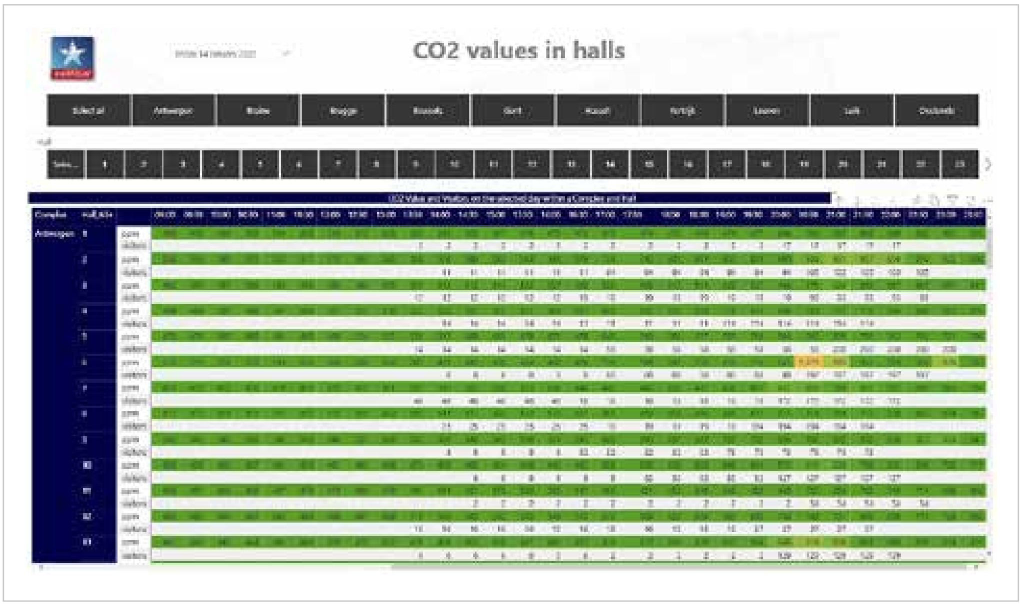
satisfied to very satisfied

KPI: EVALUATION OF THE SAFETY PROTOCOL

In order to evaluate the above-mentioned safety protocol, the following question was added to the CSI survey in 2020: ‘How satisfied are you with the safety and hygiene measures taken in light of the Covid-19 pandemic?’. Depending on the country, 78 to 86% of customers [1] who filled in the survey in 2021 stated that they were satisfied or very satisfied with the measures taken in Kinepolis and MJR cinemas (the rest were mostly neutral).

(1) This score only relates to Kinepolis Europe en MJR Digital Cinemas in the USA, as this Covid-specific question was only part of the CSI survey and not of the ‘Tell Us About Us’ survey that Landmark uses in Canada.

EXAMPLE OF MONITORING CO_2 VALUES IN THE THEATRE (PPM)



Screenshot of 14 January 2022, Kinepolis Antwerp, ppm values and number of visitors (at that time limited to a max. of 200) per auditorium.

CUSTOMER SUPPORT

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

In the event of problems or questions in the cinema, customers can always approach the staff. Customer questions are also answered every day via social media (Twitter, Facebook, Instagram).

COVID-19 COMPENSATION POLICY

Ever since the outbreak of the pandemic, Kinepolis was committed to limiting the impact on customers as much as possible, and to offering them maximum support through its compensation policy. Customers were given the choice between a refund or a voucher for a cancelled screening (where customers had paid via a voucher, they received a voucher). Online buyers were contacted proactively, while offline buyers could request compensation via a form on the website. Even when the cinemas were open, but customers decided to cancel their visit (for instance, because of symptoms of illness, quarantine or infection), they could still apply for compensation. Vouchers that had expired during the closure period were always extended, and the validity period of birthday vouchers was also adjusted.

'THE ULTIMATE MOVIE EXPERIENCE'

The quality of the movie experience that we offer significantly determines customer satisfaction. Kinepolis strives for the highest quality standard, and continues to invest in product innovation and experience concepts. The majority of these innovations fit in with a further broadening of the product range, whereby Kinepolis wants to respond optimally to the wishes of different target groups.

Kinepolis tends to test new concepts in a few cinemas, and then roll them out in more countries and cinemas. Customer satisfaction is the most important parameter for the valorisation of new products and concepts. We also see that customer satisfaction is, on average, higher in Premium auditoriums (e.g. Laser ULTRA, IMAX, etc.), which indicates the customer's willingness to pay more for more experience.

COSY SEATING

Cosy Seats are even more comfortable seats with extra-wide armrests, featuring a handy tray for drinks and snacks and a coat hook. They offer more space and privacy, enabling you to enjoy the film in your own bubble. The concept was launched in Canada in 2020 under the name *Premiere Seats*. The *Cosy Seat Plus* was introduced for the first time in Leidschendam (NL) in 2021, a *Cosy Seat* with a footstool for the legs, which allows you to sit back and relax.

Cosy Seat Plus, with a footstool for the legs

RECLINER SEATING

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

LASER PROJECTION

Laser projectors guarantee a razor-sharp image and consume up to 40% less power compared to traditional xenon lamp projectors. Laser provides more stable light, more light in the corners of the screen and a higher contrast. In June 2018, Kinepolis signed an agreement with Cinionic to equip approximately 300 screens with Barco lasers by mid 2021. The roll-out was somewhat delayed due to the pandemic, but is progressing steadily: 280 of a total of 1 097 screens are currently equipped with laser projection. 41 of these are Laser ULTRA auditoriums. All newly opened cinemas are fully equipped with laser projection (full laser).

16
FULL-LASER CINEMAS

41
LASER ULTRA SCREENS

58
SCREENS WITH DOLBY ATMOS

Numbers as of 31/12/2021

LASER ULTRA
With Laser ULTRA, Kinepolis is combining the unique picture quality of Barco's 4K laser projector with the immersive Dolby Atmos sound system. Together, these two technologies give visitors an even more intense film experience, a feeling that they are at the centre of the action.

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

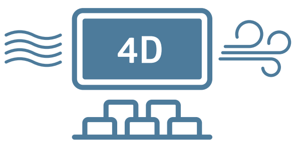
SCREENX
ScreenX is the world's first multi-projection technology to offer the visitor a 270-degree viewing experience by extending the scene to the side walls. Kinepolis has opened several ScreenX auditoriums in Europe since the end of 2019.

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

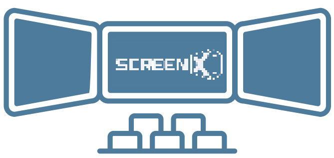
EXPERIENCING FILMS TOGETHER

Going to the cinema is a social thing. It's quality time with family, relatives or friends. Or the perfect place for a first date or a romantic evening. Meeting people and sharing emotions (also with strangers in the audience) contributes to the positive impact of a cinema visit. To add to that experience, Kinepolis is fully committed to event formulas that are aimed at bringing like-minded people together, such as marathons, one-off concert performances, Horror Nights, Kidsweekends and so on.


4D experience with special effects



13
4D SCREENS



5
SCREENX SCREENS

8
IMAX SCREENS

A FILM PROGRAMME FOR EVERYONE

In addition to seating comfort and image and sound technology, the film itself also plays an important role in the customer experience. The aim of Kinepolis' relationship marketing strategy (see page 40), is to guide customers optimally through the offer available and make recommendations based on personal preferences. The announcement of the NPS score per film (see box 'customers advise customers') also helps customers to make the right film choice.

Demon Slayer, Japanese film

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

For example, Kinepolis programmes Bollywood blockbusters and Turkish hits in multicultural cities with large Indian and/or Turkish communities. In addition to Polish and Russian films, among others, there have also been experiments with Chinese and Japanese films in recent years. Furthermore, films with regional themes and films by (often start-up) filmmakers with strong regional roots are also given a platform in the relevant Kinepolis cinemas.

VISITOR SCORE PER FILM (NPS) CUSTOMERS ADVISE CUSTOMERS (1)

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

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

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

LOCAL CONTENT

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

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

LOCAL FILM FESTIVALS

To promote local film culture, Kinepolis in Europe and Landmark Cinemas in Canada also support numerous local film festivals every year (e.g. Film Fest Ghent and Film Festival Ostend in Belgium). Over the past two years, however, many festivals have been cancelled due to the Covid-19 pandemic.


Promotion of the local film 'K3, Dans van de farao' (BE)


Film Fest Ghent, Kinepolis Ghent (BE)

INCLUSIVE PROGRAMMING POLICY

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

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

PROTECTION OF CUSTOMER DATA

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

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

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

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

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

CYBER SECURITY

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

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

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

NOISE STANDARDS

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

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

WHEELCHAIR ACCESSIBILITY

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

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

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

ACCESSIBILITY FOR PEOPLE WITH VISUAL OR AUDITORY IMPAIRMENT

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

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

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

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

MOBILITY

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

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

SUPPORT FOR CHARITIES AND LOCAL COMMUNITIES

Kinepolis wants to take up its social responsibility and increase its involvement with local communities by supporting charities through sponsorship, the organisation or support of charity campaigns, and the promotion of social employment. In 2021 Kinepolis supported, among others, Red Nose Day, Kick Cancer and the '1000 km of Kom op tegen Kanker' in Belgium, 'Les Restos du Cœur' in France, Stichting Bio in the Netherlands and Kids Help Phone in Canada.

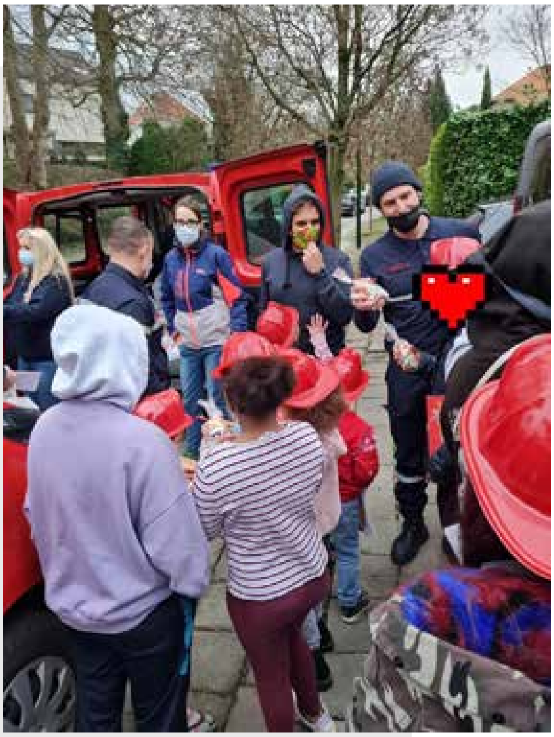
LES RESTOS DU CŒUR

In France, Kinepolis has a partnership with 'Les Restaurants du Cœur' in order to offer film screenings to vulnerable groups at a greatly reduced rate. In 2021, these performances took place in Kinepolis Fenouillet, Rouen, Mulhouse, Thionville and KLUB Metz.

DONATION OF STOCKS OF SWEETS TO CARE CENTRES AND CHARITIES

During the closures in 2020 and 2021, Kinepolis donated large stocks of sweets to various care centres and charities.

A specific example of this is the collaboration between Kinepolis Brussels and the Brussels Fire Brigade following the unexpected closure at Christmas 2021. Brussels firefighters packed 1.2 tons of candy into 2 100 bags in order to distribute them to 16 different care centres and associations for underprivileged children.



Brussels' firefighters packed 1.2 tons of sweets into 2 100 bags

LANDMARK PARTNER OF KIDS HELP PHONE

For many years, Landmark Cinemas has been a loyal partner of Kids Help Phone, Canada's only national helpline that provides professional support and information to young people 24/7.

In 2021, Landmark supported the 'Kids Help Phone's Dance + More for Tomorrow' project through promotion and fund-raising in its cinemas and Cinema Support Centres. This resulted in a contribution of more than 100 000 Canadian dollars to promote the mental health and well-being of young people across Canada.


Cheque hand-over in 2020 (no official hand-over moment was organised in 2021).

KINEPOLIS NETHERLANDS SUPPORTS STICHTING BIO

Since 2019, Kinepolis Netherlands has been making it easy for everyone to donate to the Bio foundation. This is currently done through the collection of plastic bottles, with the deposit fully donated to the Stichting Bio Vakantieoord (holiday resort). Kinepolis also participates in the Bio Run and the Bio gala.

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

RODE NEUZEN DAG (RED NOSE DAY) IN BELGIUM

Kinepolis Belgium supported Red Nose Day, the DPG media campaign to support the resilience and well-being of young people, in 2021. Kinepolis sold Red Nose pins in all its Belgian complexes, organised a free performance of 'Ghostbusters: Afterlife' in Kinepolis Ghent and also supported the campaign financially, resulting in a contribution of € 25 000.


Plus est en nous

Our employees

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

The Covid-19 pandemic had a serious impact on Kinepolis' business operations in 2021, just as it did in 2020, and consequently on all its employees. Most of the employees have been fully or partially unemployed for a long time in the past year, mainly in the first half of the year. Due to the ever-changing epidemiological context, the teams worked in very challenging conditions, while demonstrating great flexibility and commitment. The impact of the pandemic on the HR policy of Kinepolis will be explained further in this chapter.

OUR HR POLICY: 'PLUS EST EN NOUS'

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

The Kinepolis Human Capital policy focuses on:

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

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

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

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

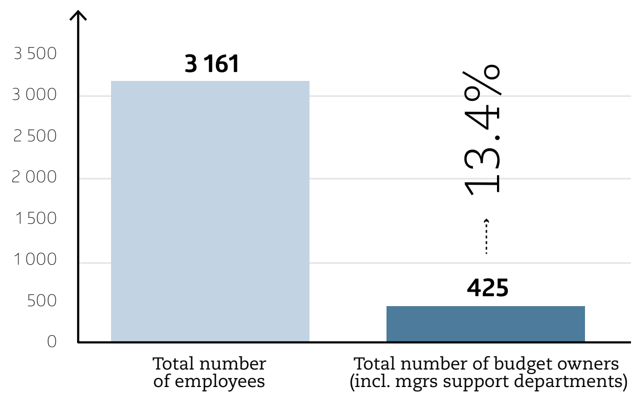
EVALUATION OF OUR POLICY

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

The principle of budget ownership was introduced into the Canadian organisation (acquired at the end of 2017) in 2019. In that year, the Canadian teams participated for the first time in the so-called 5% exercise (the annual improvement plan with the aim of lowering the company's break-even point). This encourages budget owners to look for improvement potential themselves with the help of the processes, reporting and KPIs provided by Kinepolis. The principle of budget ownership was also introduced in the American organisation (acquired at the end of 2019) in 2021.

Due to the impact of the pandemic and long periods of temporary unemployment, improvement plans were mainly carried out by senior management over the past two years. Once the business finds its normal course again, the bottom-up process will resume as usual.

KPI NUMBER OF 'BUDGET OWNERS' IN RELATION TO THE TOTAL NUMBER OF EMPLOYEES AT THE END OF 2021 [1]



(1) Number of employees as per 31/12/2021, excluding interim employees.

KPI

76%

of all employees took part in the PSI in 2021

PEOPLE SATISFACTION INDEX

Kinepolis measures employee satisfaction every year by means of a People Satisfaction Index (PSI) survey. The PSI was also introduced in Canada and the US for the first time in 2021 [2]. Employees are invited to share their experience of Kinepolis (or Landmark/MJR) as an employer in a completely anonymous way, indicating what they like and what they feel could be improved. The results are then discussed with the team and translated into concrete actions.

The PSI survey took place in November 2021, achieving a response rate of 76% at Group level. The strengths and areas for improvement vary by country, and are analysed and discussed at national, cinema and team level. The PSI showed that employees' confidence in the future of Kinepolis was not significantly affected by the major impact the pandemic has had on the company and the cinema industry.

From the start of the global outbreak of the virus in March 2020, continuous efforts have been made to ensure maximum health protection for employees – both in the office and in the cinema facilities – and to keep them involved in the company during long periods of inactivity.

(2) Landmark Cinemas Canada previously carried out its own Employee Engagement Survey, or EES.

HEALTH AND SAFETY OF EMPLOYEES

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

Kinepolis' health and welfare policy has been almost entirely dominated by the Covid-19 pandemic over the past two years.

Extensive safety protocols were drawn up to prevent the further spread of the virus and to offer maximum protection to employees in their jobs. These measures proved to be effective, as not a single case of a cluster outbreak among employees has been registered since the start of the pandemic.

COVID-19 MEASURES FOR PROTECTING THE HEALTH OF EMPLOYEES

Ever since the start of the pandemic, Kinepolis has implemented strict measures to guarantee a safe workplace. These measures have been regularly adjusted according to the regulations determined by the respective authorities.

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

- Teleworking was the norm for office functions for most of the year (recommendation or obligation in line with government guidelines);
- An appropriate social distance maintained at all times before, during and after work;
- Mandatory face mask in cinemas and at the office, in line with the measures imposed by the authorities;
- Regular disinfection of hands and paying attention to respiratory hygiene;
- Staying at home in the case of symptoms of illness and contacting the doctor for advice;
- Using the indicated entrances and exits, as well as the walking plan as indicated by markings on the ground (one-way traffic);
- Maximum number of people for common areas, such as kitchen and meeting rooms;
- Meals take place individually in the workplace where possible, with sufficient distance from each other also maintained in the dining areas in cinemas;
- Meetings take place virtually
- Business travel was limited as far as possible in 2021, and was only allowed in consultation with HR, in compliance with the guidelines of the competent authorities in the respective countries.

'FIT FOR WORK' PROTOCOL LANDMARK

Landmark uses a 'Fit for work' protocol to prevent sick employees from going to work. Before each work shift, the employee must answer a number of questions that gauge any possible Covid-19 symptoms. If the employee answers positively to just one of the questions, he or she may not start work.

PROTECTIVE EQUIPMENT

Kinepolis has made protective equipment available to all employees, such as disinfecting hand gel and cleaning agents for contact surfaces and, in the cinemas, also face masks and gloves (for cleaning/shop).

Cleaning activities remained at the same high level as in 2020, and the air ventilation systems in both the cinemas and office spaces were adapted to achieve the maximum supply of fresh air. All recirculation or mixing of the discharged air has been switched off. Prior to the reopening of cinemas, site visits were also carried out by operational managers to test the elaborated measures against reality.

COVID-SPECIFIC FUNCTIONS

A number of new jobs have been created in Kinepolis, Landmark and MJR cinemas since 2020 (Covid busters, sanitary stewards, etc.) to ensure that the Covid measures are strictly followed. A workstation sheet was created with a clear description of the new, Covid-specific tasks for each of these new jobs and other relevant functions.

WELL-BEING OF EMPLOYEES

Due to the far-reaching impact of the pandemic on the activities of Kinepolis, employees faced sharply reduced employment for the second year in a row, mainly in the first half of the year, and/or changed and often challenging working conditions (e.g. mandatory wearing of a face mask while performing the job, mandatory teleworking, etc.).

TELEWORKING & CYBER SECURITY

In 2021, Kinepolis made use of teleworking for office functions, in accordance with the measures imposed by the competent authorities. Kinepolis introduced a policy for structural teleworking in November 2021 (in use when there are no government measures imposed) under which employees of the *Cinema Support Centres* [(1)] have the option of working from home two days a week. Kinepolis recognises the benefits of working from home, but also emphasises the importance of working at the office for good connections with colleagues and involvement in the company.

Teleworking at Kinepolis means that agreements are made between employee and manager on a daily basis regarding working hours and tasks. In order to make maximum teleworking possible, Kinepolis has carried out additional investments since the outbreak of the pandemic to optimise IT infrastructure, with various efforts also made to monitor the security of networks and systems. For example, Kinepolis has invested in additional security for incoming e-mail messages, in a new VPN connection

Spanish Kinepolis team during the eSports Summit (ES).

(1) When the nature of the position or duties permits teleworking.

and in 2-factor authentication for the entire Office 365 environment. In addition to the active monitoring of user account behaviour, Kinepolis has also launched phishing campaigns on a regular basis in order to keep the alertness of employees at a high level.

During the periods when the cinemas were closed, efforts were made to safeguard the well-being of employees by providing them with maximum information and keeping them involved in the company. To do this, use was made of the existing internal means of communication, personal contact moments with the manager and ad hoc initiatives in different teams.

INTERNAL COMMUNICATION

Employees are kept informed about ongoing initiatives and company news through regular updates and news items via email and/or Kinetalks, an internal social medium used in Belgium, the Netherlands, Luxembourg and Spain. Kinetalks is an interactive platform that allows communication with employees at the international, national, cinema and team level. In addition, a renewed sharepoint platform (called Kineportal) was launched at the beginning of 2021, as a central hub for internal procedures, documents and applications.

CEO COMMUNICATION

Internal reporting by the CEO is carried out on a regular basis via email, twice a year via an extended video message, and sporadically via digital Q&A sessions. This communication was expanded during the pandemic, with a monthly update during periods of closure, allowing employees to follow the development of the impact of the pandemic on the company and the sector.

On each occasion, an update is provided on the current state of the company and the sector, on small and large successes that have been achieved and on the strategy to be pursued with a view to a sustainable future. The approach of this communication is always aimed at keeping employees engaged, motivated and feeling valued.

CANADA – WELLNESS COMITÉ

In order to promote the mental health of its employees, Landmark Cinemas set up a ‘Wellness Committee’ in 2020. In 2021, this working group produced a monthly wellness newsletter and a wellness Facebook group with tips and challenges aimed at the well-being of the entire Landmark community, as well as a number of information sessions for employees.

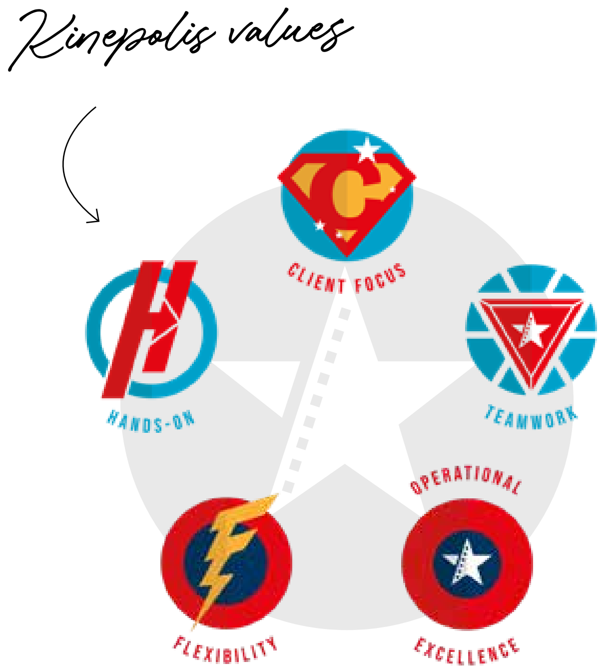
FINANCIAL SUPPORT MEASURES

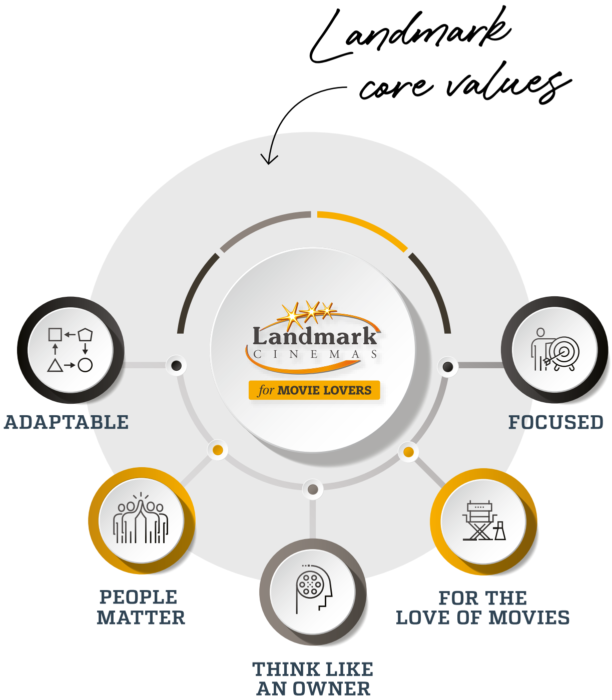
The company called on the support measures provided by the relevant authorities in all the countries in which Kinepolis operates. These support measures varied from country to country, and had a different impact on the employees involved. In the Netherlands, France and Canada, employees continued to work, while Kinepolis was financially compensated by the government. Employees in Belgium and other countries were given technical unemployment status. In this case, employees were compensated by the government directly. In specific cases, Kinepolis has taken measures on its own initiative in favour of employees, such as equating temporary unemployment days for the calculation of holiday pay and the end-of-year bonus in Belgium.

The People Satisfaction Index (PSI) is the most important benchmark for measuring and monitoring employee well-being. In addition, employee retention is also a possible indicator of the well-being of teams and individuals. Due to the pandemic (and the associated closures), there has obviously been a higher turnover of temporary workers in the past two years. With regard to permanent staff, and depending on the country, 76 to 86%[2] of the permanent staff remained on board.

(2) On the basis of comparable data for Belgium, Canada, Spain and Luxembourg.

Team sessions about the K-values (Q1 2020)





KINEPOLIS VALUES

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

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


KINEPOLIS
Hendrika

KPI PERFORMANCE CYCLE

1x/year

formal performance review for each employee

KINEPOLIS ACADEMY

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

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

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

Over the past two years, normal training activities have been seriously disrupted by the impact of the Covid-19 pandemic on the business operations of Kinepolis. Training in cinemas was often dominated by the implementation of Covid-19 measures. These courses were organised on a country-by-country and cinema-by-cinema basis, via e-learning and on-the-spot training. In addition, investments were made in 2021 in internal training courses on topics such as cyber security, GDPR and Business Intelligence in Europe, and on talent management and 'diversity and inclusion' in Canada.

TALENT FACTORY

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

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

Despite the impact of the Covid pandemic, resulting in a high level of temporary unemployment and little to no hiring in the first half of the year, many new employees were hired in 2021, and several employees were promoted. Of the 216 openings for full-time positions in 2021, 67 were filled internally. During the months of closure, efforts were made to maximise internal capacity by calling on employees who were in technical unemployment to temporarily support other departments as needed.

KPI INTERNAL MOBILITY RATIO (1)

1 out of 3

vacancies were filled internally in 2021

(1) Permanent, full-time positions

Anouk Fierens

Previously graphic designer at marketing Belgium, now Corporate Digital Marketing Coordinator (BE)

"I worked as a graphic designer in the marketing team for 8 years, where I evolved with the evolution from print to online, with a leading role for social media. That's how my passion for online marketing and design started and, when I got the chance to be part of the corporate CRM team, I didn't have to think twice. Getting to know new skills, systems, people and the company in a different way is fantastic. I never thought I could progress a step further."

Cielo Diez

Former supervisor, now Local Manager ITS in Full, Barcelona (ES)

"I moved to Barcelona in the summer of 2019 to work as a supervisor at the Full cinema, which had been recently acquired by Kinepolis. I felt very happy in that job. When the pandemic started, this initially seemed like a wall, but I used that period to keep learning. It paid off, because thanks to all the efforts to continue my selfdevelopment, I was promoted to local manager a few months later. I am very proud to be part of a team where I have always felt welcome, supported and valued. I feel that my work contributes to the top cinema that we are."

Schoeib Gholami

Former Local Manager, now Theatre Manager of Kinepolis Dordrecht & Spijkenisse (NL)

"In my experience, taking on a challenge gives you the opportunity to develop yourself. I certainly do not shy away from a challenge and, partly because of this, I have been able to grow from LM to TM, and now to TM of two different complexes. It is certainly challenging, with two cinemas. This means you have to be goal-oriented and set priorities. I have taken on these tasks with great pleasure and enthusiasm, and I'm grateful for the opportunities that I get within Kinepolis."

Jessica Teves

Former Theatre General Manager, now Manager of Guest Services at Landmark Cinemas (CA)

"Since 1999, this industry has provided me with such wonderful growth opportunities allowing me to strengthen my skills as a leader. Acknowledging the support, confidence, and guidance I received from caring leadership throughout these years, transitioning from Theatre General Manager to Manager Guest Services feels like a natural step in my development. I am excited to share my passion for guest service with a much broader audience and take pride in supporting our theatres in achieving our goal to create memorable movie experiences for all Movie Lovers. A quote I like to use: 'Growth is never by mere chance; it is the result of forces working together' (James Cash Penney)."

SELF-LEARNING ORGANISATION

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

As stated above, a new organisation structure was implemented in Canada in 2019 and in the USA in 2021 as the basis for introducing and facilitating the Kinepolis self-learning corporate culture.

Since the outbreak of the pandemic and its impact on business operations and employment, the self-learning organisation specific to Kinepolis has not been interpreted in the same way it was up to the beginning of 2020. A more top-down approach was temporarily adopted for improvement plans and budget exercises, led by country management. Kinepolis expects to be able to optimally use its self-learning culture and processes again from 2022 to actively involve a maximum number of employees in the development of the company and its products.

SELF-INNOVATING ORGANISATION

With the introduction of the Kinepolis Innovation Lab in 2016, which encourages employees to submit innovative ideas and then elaborate them further together with a project team, Kinepolis strives to be both a self-learning and a self-innovating organisation. Everyone at Kinepolis – from student to manager – is encouraged to think outside the box and dare to be 'entrepreneurial'.

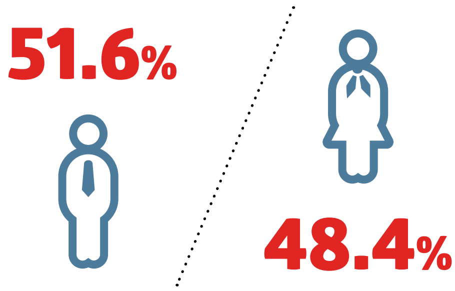
The best ideas are selected by an Innovation Lab jury, and teams are then put together to further develop and implement them. In this way, the Innovation Lab also ensures that employees collaborate more across departments. 'Innovation Awards' are presented for the best ideas each year. And even if a project turns out to be unsuccessful, the initiator is still rewarded with an entrepreneur bonus. The Innovation Lab has not yet been introduced in North America.

The operation of the Innovation Lab has been on hold since early 2020 due to the Covid pandemic. Nevertheless, Kinepolis has continued to work intensively on innovation in the past two years, even during periods of closure, with a view to developing new revenue sources in the light of the current market context. In addition to developing specific, creative solutions to Covid challenges, cross-departmental teams also started working on new, strategic projects, such as a new loyalty formula (Landmark EXTRAS), a renewed shop layout (already implemented in Leidschendam and Belval) and new premium cinema experiences.

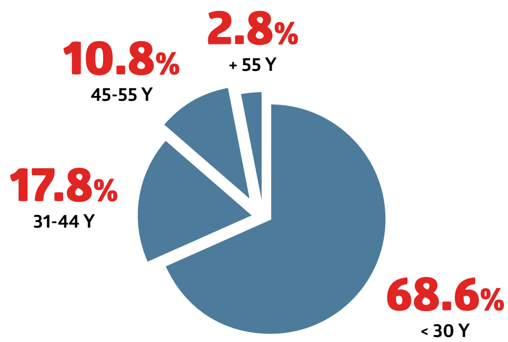
WORKING TOGETHER ON A NEW POPCORN MACHINE

A Spanish Kinepolis team built a prototype for a custom-made popcorn machine last year. The popcorn is popped on site in the shop, and visitors can fill their popcorn cup themselves. The machine – the result of teamwork at a very high level of detail – is currently being tested in Kinepolis Madrid (Diversia).

M / F
RATIO



AGE
DISTRIBUTION



CONSTRUCTIVE DIALOGUE WITH SOCIAL PARTNERS

Based on the governance framework, Kinepolis strives to achieve a social dialogue and a long-term relationship with its employees and/or relevant external employee organisations in all countries. In consultation with the social partners, Kinepolis wants to find the best solution(s) for both employees and the company in the field of social dialogue, social relations and safety, with due consideration for the legal obligations.

DIVERSITY

Kinepolis respects the individuality of each of its employees, and is committed to giving everyone equal opportunities, regardless of age, gender, origin, religion, disabilities or medical conditions, sexual orientation, family responsibilities (such as pregnancy) or trade union membership. Kinepolis endeavours to mirror the diversity of society in its workforce. Discrimination is not tolerated in any way in the company. The past two years, Landmark Cinemas Canada reviewed and adjusted its internal procedures, as well as its recruitment approach and training, in order to focus more on diversity and inclusion in the workplace.

KINEPOLIS AS A FIRST WORK EXPERIENCE

Closures, few to no events and capacity restrictions impacted the employment of temporary staff and working students in the past year, as it did in 2020. Nevertheless, Kinepolis employed a total of more than 1 000 students in Belgium and Luxembourg in 2021, guiding many young people through their first work experience.

Student workers at Kinepolis commit themselves to working in the cinema on at least one weekday and one weekend day per week. The duties vary: from working at the cash desk or in the shop, to cleaning and the coordination of events. In this way, Kinepolis helps them to acquire a whole range of professional skills, such as working in a team and taking on responsibility. Many of them stay with Kinepolis for years and there are numerous examples of students who have signed a permanent contract and have a rewarding career at Kinepolis.

KIRSTEN GORDON – STUDENT AT KINEPOLIS ANTWERP (FROM OCTOBER 2021)
"The tasks at Kinepolis are very varied, from cleaning the theatres and making sure they are completely ready for the next film, to the Covid check and scanning the ticket. I think the best part about the job is welcoming people warmly and helping to ensure THE ultimate movie experience."

OUMAIMA JIDAR – STUDENT AT KINEPOLIS ANTWERP (FROM JUNE 2021)
"I think working at Kinepolis is the perfect student job. You end up in a team that consists mainly of students, which I find very pleasant. I also like the fact that I can fill in my own availability schedule and combine my studies and daily life with work. The security of having a student job all year round is also a plus."

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

Kinepolis Leidschendam (NL)

Care for the environment

Kinepolis seeks to limit its environmental footprint as much as possible by means of its 'Green Star' policy, introduced in 2011. This policy formed the basis for the Group's current sustainability policy, which has now been substantially expanded.

GREEN STAR POLICY

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

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

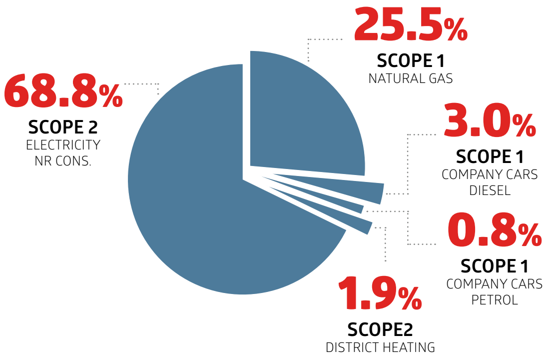
The main aim of the above policy measures is to systematically improve energy efficiency, with a view to achieving CO_2 neutrality of Kinepolis' operations in the longer term. As a Key Performance Indicator, Kinepolis started measuring the development of energy consumption in its European complexes in 2017 (expressed in kWh/m²). Due to the limited activity and long-term closures of cinemas in 2020 and 2021, as well as the impact of Covid-19 measures on energy consumption (e.g. ventilation), this KPI is considered less relevant for those years. The reporting in kWh/m² at Group level (including MJR and Landmark) will be foreseen from 2022 onwards.

KPI DEVELOPMENT OF ENERGY CONSUMPTION KINEPOLIS EUROPE [1] [2]

In kWh/m²	2017	2018	2019	2021
Belgium	171.55	169.95	160.92	102.53
The Netherlands			235.62	161.23
France			162.88	121.21
Spain	101.43	99.6	107.24	72.46
Luxembourg			192.30	133.41

(1) Based on available surface data (m²). Full reporting foreseen from 2022 onwards.
(2) No reporting in 2020 due to Covid-19 impact.
2021 consumption impacted by long closures and restrictions.

KPI CARBON FOOTPRINT [3] SCOPE 1 AND 2



TOTAL CARBON FOOTPRINT : 19 867.77 tCO_2e

(atypical year 2021 due to Covid-19 impact)

Energy consumption is an important part of a company's overall CO_2 footprint. Although, as a pure service provider, Kinepolis is not engaged in any highly polluting activities, the company deems it appropriate to map its CO_2 emissions (scope 1 and scope 2 greenhouse gas emissions) as a basis for further action to reduce its footprint. From now on Kinepolis will report annually on its CO_2 footprint scope 1 and 2. It is important to understand that 2021 was a very atypical year due to the Covid-19 impact, with lengthy cinema closures and capacity restrictions.

Scope 1 emissions are direct greenhouse gas emissions from sources controlled by the company itself. Scope 2 emissions are indirect emissions from the generation of energy purchased. In specific terms, for Kinepolis it concerns electricity consumption, the use of natural gases, heating and fuel consumption.

(3) Please note that due to unavailable information greenhouse gas emissions resulting from refrigerant leakages (scope 1) haven't been included in the 2021 carbon footprint.

Kinepolis Braine-L'Alleud (BE)

SUSTAINABLE REAL ESTATE

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

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

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

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

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

SOLAR PANELS

Kinepolis 's-Hertogenbosch has had a photovoltaic installation since the beginning of 2019. Solar panels were also installed on the roof of Kinepolis Braine-L'Alleud at the end of 2020. This installation resulted in 206 634 kWh yields in 2021. Given the impact of Covid-19, the installation of solar panels in other cinemas is not included in the short-term investment planning, but will be further evaluated at a later date (to include, among others, the cinemas in Breda, Utrecht, Madrid and Granada).

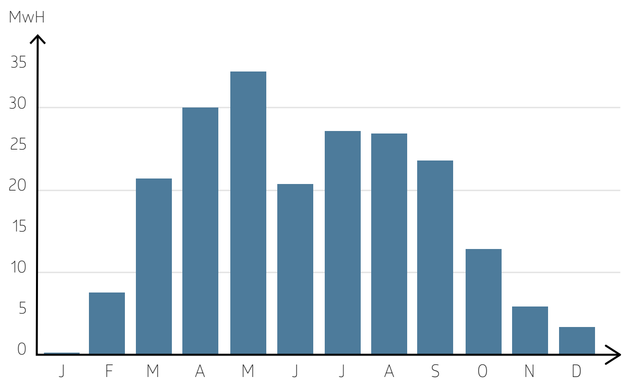
APPLICATION OF ADVANCED ENERGY-SAVING TECHNIQUES

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

GPR CERTIFICATION

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

YIELDS FROM THE BRAINE-L'ALLEUD SOLAR PANELS IN 2021, WHICH PROVIDE **A TOTAL OF 206 634 KWH**



In addition, Kinepolis in Europe is making use of energy-saving systems (e.g. Optivolt in Belgium, the Netherlands and France), in which control systems in existing buildings are adjusted as efficiently as possible and peaks in electricity consumption are neutralised. By balancing the installations efficiently, while paying particular attention to the interaction between the installations, energy consumption can be significantly reduced, and peak capacities reduced by approximately 20%.

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

Kinepolis continues to look for ways to reduce its energy consumption. For instance, the heat generated in the projection booths is being used to heat the foyers, where possible. Another example is the switch from open to closed popcorn warmers and refrigerators in the shop. Closed popcorn warmers consume between 30% and 60% less power than open ones. Kinepolis started replacing open warmers with the closed version in 2017, and closed popcorn warmers are now in use in virtually all the complexes. Refrigerators are now also closed devices almost everywhere.

SAVING WATER

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

Switch-over from open to closed devices

Closed popcorn warmers use 30 to 60% less energy


The toilets in Kinepolis Leidschendam use infra-red technology to reduce water consumption

Closed fridges

SUSTAINABLE TECHNOLOGY

LASER PROJECTION
An important, historical step in the Kinepolis sustainability policy was the digitisation of the projection systems. This technological development has made the chemical production of film celluloid and the transport of voluminous film rolls redundant. In the meantime, DCPs (film files) are now supplied almost exclusively via data lines and, with regard to projection technology, Kinepolis has been opting for laser projection for several years now. In June 2018, the cinema group signed an agreement with Cinionic, Barco's cinema joint venture, to equip approx. 300 screens with Barco laser projection by 2021. This includes both installations in new-build cinemas and replacements of older models in existing complexes.

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

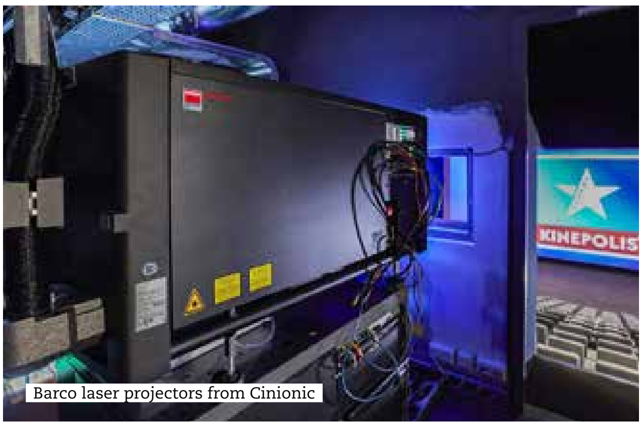
Although the roll-out has been slightly delayed due to the pandemic, 280 laser projectors are now in use, representing an energy saving of 2 GWh per year [1] compared to Xenon projectors.


Kinepolis ticket machines

192 additional laser upgrades are planned in 2022, which will lead to additional annual energy savings of 1.7 GWh (1.3 GWh of which in Europe, and 0.4 GWh in Canada). By the end of 2022, more than 40% of Kinepolis' projector fleet will consist of lasers.

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

62% of tickets (at Group level) in 2021 were purchased online or via the app. With mobile ticketing, customers can purchase tickets on their smartphone or tablet, and don't need to print them out to go to the cinema. Customers who purchase tickets at the ticket machines in European cinemas can also enter without a printed ticket.



Barco laser projectors from Cinionic

192 additional laser upgrades are planned for 2022

(1) Energy savings calculated on the basis of a normal number of screenings: this was, of course, less in 2021 due to the closures.

WASTE MANAGEMENT

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

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

In addition, visitors are constantly asked to pre-sort their waste. Separate receptacles at the entrances and exits of the theatres and in the foyer facilitate this waste collection, which is picked up and processed by specialised companies.

HAND IN YOUR PLASTIC BOTTLE AND DONATE TO BIO VAKANTIEOORD (KINEPOLIS NETHERLANDS)

On 1 July 2021, a 15 cent deposit was introduced on small plastic bottles in the Netherlands. This is an important amendment to the law, which will hopefully reduce plastic litter. Kinepolis also offers the possibility of returning small plastic bottles. There is a special waste bin in every Dutch cinema where the bottles can be returned. The deposit for the plastic bottles is fully donated to the Stichting Bio Vakantieoord (see page 65).

Information on waste sorting is repeated in the pre-show (screen announcements ahead of the film). The rules and recycling possibilities vary from country to country. In Canada, for example, a distinction is currently only made between paper/cardboard and other waste. In Belgium and the Netherlands, Kinepolis works together with Fost Plus (BE) and Milieu Service Nederland (NL) for (test)projects relating to waste sorting.

LESS WASTE AND LONGER LIFE OF MATERIALS

The Refresh & Remodeling department within Kinepolis coordinates all the maintenance work and renovations at Kinepolis sites. Various actions have been taken in recent years to avoid residual waste and wastage of material as much as possible.

- For example, the fabric and foam of cinema seats are fitted with Velcro, so that the fabric no longer has to be glued to the foam. As a result, glue is no longer used, and there is less damage to the foam during renovations, making it possible to re-use it.
- In addition, the foam of seats is no longer cut but, rather, injected directly into a mould. In this way, the quality of the foam is guaranteed for a minimum of 20 years, which means that the foam does not have to be replaced as quickly.

- Floor coverings in the cinemas and the wall coverings are purchased in adapted, smaller dimensions that ensure minimal cutting loss during fitting. By working with vertical strips for wall coverings, damage can be repaired in a targeted way, meaning that it is not necessary to replace the entire wall covering.
- When converting standard seats to Cosy Seats, the metal structure of the seats is preserved. Seats that are removed for that reason and are therefore not damaged are used, as far as possible, in the furnishing of other complexes that are being renovated.

IN-THEATRE SALES OPT FOR SUSTAINABLE SOLUTIONS

Kinepolis has switched to paper drinking straws and candy bags in most European countries. Nacho trays and popcorn packaging are made of (recycled) cardboard, and the lids for soft drinks have been adapted in most countries to ban single-use plastic.

Transport is also used more consciously: popcorn is produced locally as much as possible and, in Spain, there will soon be a switch to biweekly instead of weekly delivery from national suppliers. In 2021, Kinepolis switched to a new popcorn supplier (Jimmy's), which has a sustainability certificate for, among other things, the use of palm oil.

Nacho trays and popcorn packaging made from recycled cardboard


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

IT HARDWARE

Kinepolis donates written-off computers, laptops and servers to 'Close the Gap', an organisation that gives this kind of material a second life in developing countries. In this way, we do our part to give as many people as possible access to technology and education. Together with Close the Gap, we ensure that the hardware is also returned to Europe afterwards, where it is taken apart in an ecological way. In addition, Kinepolis reduced its server hardware by half in 2021, as part of efficiency and improvement plans for 2022.

PROJECTION & SOUND HARDWARE

Old AV equipment (such as projectors) that is withdrawn from circulation is kept by Kinepolis for spare parts in order to extend the life of its equipment.

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

Teleworking and video conferencing will continue to exist after the pandemic.

MOBILITY

Kinepolis does always strive to make its cinema complexes easily accessible, whether by public transport, bicycle or car.

By introducing the teleworking obligation and severely restricting business travel, Kinepolis contributed to a general reduction in CO_2 emissions as a result of the Covid-19 pandemic. Although this traffic will increase again after the pandemic, Kinepolis will continue teleworking and video conferencing in a more permanent form, so that traffic will by no means return to pre-pandemic levels.

Kinepolis Mulhouse (FR), easily accessible by public transport

CLIMATE CHANGE

In its risk analyses (see page 114-116), Kinepolis takes account of possible natural disasters as a result of global warming that could affect its operations and, where possible, takes appropriate action to anticipate these and to minimise the risks. By mapping its carbon footprint and continuing efforts to reduce its energy consumption, Kinepolis aims to achieve CO_2 neutrality of its operations in the longer term.

Kinepolis Leidschendam (NL), easily accessible by bicycle or public transport

Integrity in business

Kinepolis Bretigny-sur-Orge (FR)

KINEPOLIS ANTI-CORRUPTION AND BRIBERY POLICY

Kinepolis pursues a stringent anti-corruption and bribery policy:

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

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

POLICY MEASURES

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

KPI % OF EMPLOYEES WHO HAVE SIGNED THE CODE OF CONDUCT IN 2021 (1)

100%

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

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

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

From 2022, Kinepolis will adopt an ethical code for suppliers to ensure that the company's values regarding working conditions, health, safety, environment and ethics are also respected by its suppliers.

RESPECT FOR HUMAN RIGHTS

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

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

12 Corporate Governance

Kinepolis Leidschendam (NL)

Discussion of the results

2021 was a year in which the Covid-19 pandemic had an ongoing impact on Kinepolis' activities, with prolonged closures – mainly in the first half of the year – and reopenings with ever-changing, restrictive measures in almost all countries.

Thanks to strong cost management and one-off support measures, Kinepolis was able to further limit its cash consumption to € 3.6 million per month in the first half of 2021. The numerous blockbusters that were released in the second half of the year performed strongly – in a pandemic context – and led to a promising return of visitors to the cinemas. Kinepolis noted an increased demand for premium cinema experiences and higher consumption in all countries, especially in the start-up phase.

This enabled Kinepolis to build up significant cash again in the second half of the year, resulting in € 199.8 million of available financial resources at the end of December 2021, as well as a decrease of the net financial debt, excluding lease liabilities, by € 67.8 million compared to the end of June 2021.

Spider-Man: No Way Home

The result of the second half of the year was largely supported by the implementation of Kinepolis' 'Entrepreneurship 2022' plan, which has now been fully implemented. This concerns cost-saving optimisations as well as innovations that build on Kinepolis' business strategy and protect the company against a possible slower recovery in visitor numbers from 2022 on.

Eddy Duquenne

CEO of Kinepolis Group, about the results for 2021

"We did not get the best case-scenario in 2021 for which we had hoped at the start of the vaccination campaign. Nevertheless, I look back with satisfaction on a year in which we, as a company and as a team, did everything that was within our power and which has led to a more than decent result given the circumstances.

We have used the past two years to strengthen our company. We managed to be profitable from a relatively low occupancy rate of our cinemas, something that was supported by the implementation of our 'Entrepreneurship 2022' plan, all the measures of which have now been implemented and are effective. We are also continuing to work on our Star plans, which are focused more on innovation and new sources of income, and we have also recently taken steps to further integrate our sustainability policy in our strategy.

All of this, coupled with a promising visitor recovery thanks to high-performing blockbusters, means we can look to the future with confidence. We can already conclude that we shall come out of this crisis stronger and I am very proud of that."

VISITORS

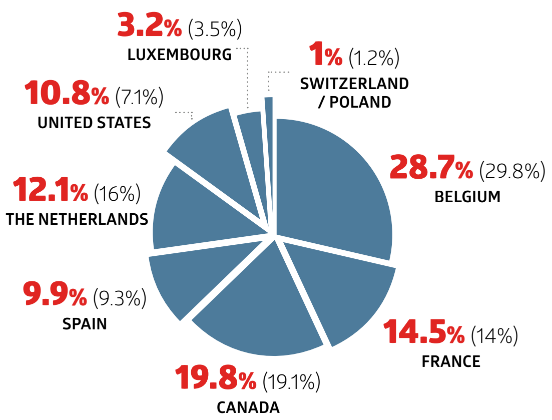
Kinepolis received only 2.2 million visitors in the first half of 2021 due to the closure of most cinemas worldwide, except for the cinemas in the US and Luxembourg and a few Spanish and Canadian complexes. In the second half of the year, Kinepolis received 15.0 million visitors, which corresponds to 33.7% fewer visitors compared to the same period in 2019. The French, Dutch, Belgian and Canadian cinemas were successively reopened from mid-May to mid-July. In Canada, the reopening took place per province, with Ontario and Manitoba being the last provinces in mid-July. The operation of cinemas continued to be subject to ever-changing measures to prevent the spread of the Covid-19 virus in the second half of the year, including capacity restrictions in almost all countries and a new closure in December in the Netherlands and Belgium.

From mid-November 2021, the impact of the fourth corona wave caused the number of visitors to decline. Despite new closures in Belgium and the Netherlands, December was the best month of the year, thanks to the success of *Spider Man: No Way Home*.

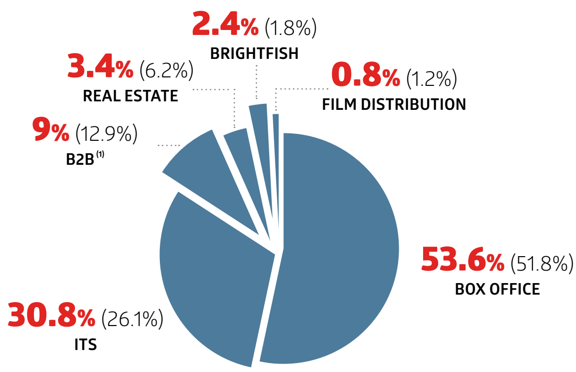
The top five of 2021 were *Spider Man: No Way Home*, No *Time to Die*, *Dune*, *Fast & Furious 9* and *Shang-Chi and the Legend of the Ten Rings*. The most successful local films were *Sinterklaas en Koning Kabberdas* in Belgium, *Les Tuches 4*, *Kaamelott: Premier volet* and *BAC Nord* in France, *Luizenmoeder – De Film* and *De Slag om de Schelde* in the Netherlands, and *A todo tren! Destino Asturias* and *Way Down* (*The Vault*) in Spain.

REVENUE IN 2021 (compared to 2020)

BY COUNTRY



BY ACTIVITY



TOTAL 2021: € 266.4 MILLION
(2020: € 176.3 MILLION)

REVENUE

Total revenue in 2021 amounted to € 266.4 million, an increase of 51.1% compared to 2020. Visitor-related turnover (sales of tickets, drinks and snacks) increased by 63.8% thanks to increased revenue per visitor. Kinepolis also recorded an increase in turnover in all other business lines, except in real estate due to the impact of the Corona crisis on rental income.

Revenue from ticket sales (Box Office) increased by 56.4%, to € 142.9 million. BO revenue per visitor increased by 9.7%. This increase was seen in all countries, thanks in part to the success of premium cinema experiences and inflation-compensating price increases.

Revenue from the sale of drinks and snacks (In-theatre sales) increased by 78.5%, to € 82.0 million. ITS revenue per visitor rose by 20.7% [2], driven by an increase in ITS revenue per visitor in almost all countries. Only in Luxembourg and Switzerland ITS revenue per visitor decreased due to the ban on the sale of drinks and snacks for a number of months.

B2B revenue increased by 4.7%. Although there was an increase in income from events, growth was limited by the arrival of the fourth corona wave in the fourth quarter. Screen advertising also showed a strong increase. The increase in the number of events as well as the increase in screen advertising were negatively offset in total B2B turnover by fewer vouchers being sold as a result of the pandemic.

Real estate income decreased by 17.1% due to the loss of variable rental income, rent concessions and a decrease in both parking income and income from owned concessions.

The turnover of **Brightfish**, the Belgian screen advertising management agency, rose by 103.5% thanks to more screen advertising and more events, and Kinepolis Film Distribution (KFD) saw its income rise by 2.2%.

(1) Including screen advertising.
(2) Excluding home delivery revenue.

OPERATING COSTS

Operating costs fell by 42.1% in 2021 thanks to increased Covid-19 grants, more rent concessions obtained, lower depreciations and lower sales and marketing costs.

EBITDA

EBITDA amounted to € 72.7 million in 2021. Since June, a positive EBITDA(L) has been recorded every month.

After leases, EBITDAL amounted to € 38.5 million. EBITDA per visitor increased from € 1.43 to € 4.23.

RESULT FOR THE PERIOD

The net result amounted to € -25.5 million, due to the negative result of the first half year of € -45.8 million.

The net financial result decreased from € -26.1 million to € -28.4 million, mainly due to the interest on the new loan of € 80.0 million concluded at the beginning of January 2021, partly offset by the fact that less use was made of the roll-over credit in 2021.

The effective tax rate was 26.9%, compared with 24.6% in the same period of the previous year.

The result per share amounted to € -0.94.

Kinepolis Metz Waves (FR)

FREE CASH FLOW AND NET FINANCIAL DEBT

A positive free cash flow of € 48.9 million was generated in 2021, with € 70.3 million realised in the second half of the year, thanks to the positive operating result and the recovery of working capital amounting to € 27.4 million.

Kinepolis strengthened its liquidity reserve at the beginning of January 2021 with an additional loan of € 80.0 million. At the end of June 2021, the available financial resources amounted to € 141.9 million and increased to € 199.8 million as per 31 December 2021.

€ 17.1 million was invested in 2021, of which € 10.0 million went to the finishing and construction of new cinemas (Metz Amphithéâtre (FR), Leidschendam (NL), Metz Waves (FR), Servon (FR) and Tamarack (CA)). Maintenance investments amounted to only € 2.8 million, due to the discontinuation of a number of maintenance programmes as a result of the pandemic. € 4.3 million was invested in internal expansion, mainly in premium cinema experiences and the renovation of St. Catharines (CA) and Belval (LUX).

Net financial debt, excluding lease liabilities, decreased from € 513.3 million at the end of 2020 to € 474.5 million as per 31 December 2021, due to the positive free cash flow resulting from the resumption of operations.

Kinepolis only applies conditions to its bank debt with regard to, among other things, the maximum debt ratio (covenants). Following the Covid-19 pandemic, Kinepolis has reached an agreement with its financial institutions to extend the suspension of the so-called *'covenant holiday'* until 31 December 2022. This means that, among other things, the conditions relating to the maximum debt ratio in relation to the EBITDAL will be temporarily suspended until the full year figures of 31 December 2022. Based on current results and assumptions, the Group should be able to succeed in its covenants by 30 June 2022. However given the uncertainty associated with the pandemic, it has been decided to request an extension of the suspension from the banks until 31 December 2022, as a precautionary measure. This extension of the suspension until 31 December 2022 was received in March 2022.

Kinepolis Servon (FR)

These conditions, which apply solely to bank debt, were replaced by, among other things, a liquidity covenant, which means that the sum of the available cash and confirmed credit lines must be at least € 30.0 million during the term of this *'covenant holiday'*.

Kinepolis Group NV has been a regular issuer in the debt capital markets. As part of its funding strategy, Kinepolis has put in place a new CP/MTN treasury notes programme of € 150.0 million. This programme provides the company with another tool to finance its business with maturities of minimum 7 days and maximum 10 years.

BALANCE SHEET

The land and buildings (including the investment property) have a book value of € 398.0 million.

Equity amounted to € 120.6 million on 31 December 2021. Solvency was 10.1%.

DIVIDEND

The Board of Directors will make a proposal to the General Meeting of 11 May 2022 not to distribute a dividend for the 2021 financial year.

IMPORTANT EVENTS IN 2021 AND AFTER CLOSING DATE

KINEPOLIS CONCLUDES 3-YEAR CREDIT AND NEW CP/MTN PROGRAMME AND EXTENDS THE ‘*COVENANT HOLIDAY*’

In order to be prepared for possible longer delays before the full resumption of its activities, Kinepolis has taken out, in early January 2021, an additional loan of € 80.0 million with its main bankers for a period of 3 years. On account of its strong balance sheet, the rigorous cost control measures applied, the solid real estate position and the back-up of an 80% guarantee provided by Gigarant (the state guarantee fund), Kinepolis succeeded in concluding the additional credit at attractive commercial terms.

In this context, the banks also extended the suspension of the credit covenants (‘*covenant holiday*’) until 30 June 2022. Based on current results and assumptions, the Group should be able to succeed in its covenants by 30 June 2022. However given the uncertainty associated with the pandemic, it has been decided to request an extension of the suspension from the banks until 31 December 2022, as a precautionary measure. This extension of the suspension until 31 December 2022 was received in March 2022. These covenants – which include a maximum debt level – were replaced by a liquidity covenant following the suspension.

Kinepolis Group NV has been a regular issuer in the debt capital markets. As part of its funding strategy, Kinepolis has put in place a new CP/MTN treasury notes programme of € 150.0 million. This programme provides Kinepolis with another tool to finance its business with maturities of minimum 7 days and maximum 10 years.

OPENING OF LANDMARK TAMARACK

Landmark Cinemas Canada opened a brand new cinema at the ‘Grove on 17’ site in the Tamarack region of South East Edmonton, Alberta, on 10 June 2021.

All eight film theatres feature Landmark’s luxurious ‘recliner’ seating concept in a full stadium layout, and each theatre also features *Premiere Seats*, the cosy seat version of the recliner seats. The new cinema is fully equipped with Barco laser projection from Cinionic, and also has a ‘MarketPlace’ shop, in line with the well-known Kinepolis shop concept.

OPENING OF KINEPOLIS METZ WAVES

With the reopening of the French cinemas on 19 May 2021, the new Kinepolis cinema in the Waves-Actisud commercial centre in Moulins-lès-Metz (FR) also welcomed visitors for the first time. The cinema has 6 screens and around 900 seats. Kinepolis expects to welcome around 300 000 visitors per year to this new French cinema complex.

LAUNCH OF LANDMARK EXTRAS

Landmark Cinemas introduced a brand new loyalty program in September, under the name ‘Landmark EXTRAS’. These are three different formulas that enable customers to collect points with every purchase and to be rewarded with ‘extras’. The ‘Movie Club’ is a subscription formula in which the customer pays CAD 9.99 per month for a package of benefits, including one free movie visit per month. More information on www.landmarkextras.com.

INAUGURATION OF KINEPOLIS LEIDSCHENDAM IN THE 'WESTFIELD MALL OF THE NETHERLANDS'

Together with the reopening of the Dutch cinemas on 5 June 2021, the brand new Kinepolis cinema in the 'Westfield Mall of the Netherlands' shopping centre in Leidschendam also opened its doors. The cinema was festively inaugurated on 13 September with the Dutch premiere of 'Dune'.

The 'Westfield Mall of the Netherlands' is a project by Unibail-Rodamco-Westfield, in which the Leidsenhage shopping centre was transformed into the largest shopping centre in the Netherlands. Kinepolis Leidschendam has 11 screens, and Kinepolis expects to welcome around 500 000 visitors per year. The International Cinema Technology Association (ICTA) honoured the brand new cinema with the award for 'Best New-Build of the Year', a great recognition for the teams involved.

©File Photo, Sask Today

CLOSURE AND SALE OF SMALL CANADIAN CINEMAS

Kinepolis decided to close a few Canadian cinemas, each with only one or two screens, as the maintenance investments required were disproportionate to the contribution of these cinemas to the evolution of turnover of the Group. Specifically, it concerns two leased Landmark cinemas, Dawson Creek (BC) and Airdrie (Alberta), and four owned Landmark cinemas, namely Yorkton (Saskatchewan), Selkirk (Manitoba) and the two cinemas located in the Yukon province. The owned cinemas were all sold at the end of the summer.

JAMES BOND VIP EXPERIENCE

At the end of September, on the occasion of the release of 'No Time to Die', Kinepolis organised a James Bond 'VIP experience' in the Laser ULTRA auditoriums of its Belgian and Luxembourg cinemas. Attendees received a VIP welcome with a photo opportunity, champaign, a goodie bag and drinks and snacks. Dressed in their most glamorous outfits, guests were able to enjoy Daniel Craig's final performance as Agent 007 in style. A special formula was also developed in France following the release: the 'Séance Super Fan', an evening dedicated to the new James Bond film, with various animations and goodies.

Corporate Governance Statement

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

The Board of Directors has reviewed the Corporate Governance Charter at the beginning of 2021 using the Belgian Corporate Governance Code 2020 (the '2020 Code') as a reference code.

This chapter of the annual report provides more factual information on the corporate governance policy pursued in the financial year 2021, with the aim of applying the principles resulting from this charter as much as possible without affecting the unique character of the Company. Where necessary, the required explanation of the deviations from the Code is given in accordance with the 'comply or explain' principle.

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

SHARE CAPITAL

The share capital on 31 December 2021 amounted to € 18 952 288.41, and is represented by 27 365 197 shares, without nominal value, all of which benefit the same corporate rights.

After the delivery of 58 299 shares to beneficiaries of stock options, Kinepolis Group held 422 552 treasury shares on 31 December 2021, with a capital value of € 292 646.

Kinepolis management team on a VIP James Bond event, October 2021

RIGHTS TO NOMINATE CANDIDATES TO THE BOARD OF DIRECTORS

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

SHAREHOLDER AGREEMENTS

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

CHANGE OF CONTROL

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

The General Terms and Conditions of the Prospectus dated 12 May 2015 regarding an Unconditional Public Exchange Offer with respect to the above-mentioned bonds also provide that, in the event of a change of control (as defined in the Prospectus), each bond holder will have the right to oblige 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 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 relating to the private placement with institutional investors for an amount of € 225 million, contain clauses for the case of a change of control that are identical to those defined in the above-mentioned Prospectus.

SHAREHOLDER STRUCTURE AND NOTIFICATIONS RECEIVED

Based on the notifications received pursuant to Article 74 of the Public Acquisition Bids Act of 1 April 2007 from 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 (pursuant to the Act of 2 May 2007 and the Royal Decree of 14 February 2008 regarding the disclosure of major holdings) and from notifications within the framework of the share buyback programme, it is shown that, as of 31 December 2021:

- Kinohold Bis SA, held 12 700 050 shares, or 46.41% of the shares of the Company;
- Kinohold Bis SA is controlled by Kinohold, Stichting Administratiekantoor under Dutch law, which is in turn jointly controlled by the following natural persons (in their capacity as directors of the Stichting Administratiekantoor): Joost Bert, Koenraad Bert, Geert Bert and Peter Bert;
- Kinohold Bis SA shall continue to act in close consultation with Mr. Joost Bert;
- Kinepolis Group NV, which is controlled by Kinohold Bis SA, held 422 552 or 1.54 % treasury shares;
- Mr Joost Bert, who acts in close consultation with Kinohold Bis SA and together with Pentascoop NV (a company controlled 100% by him) held 492 218 shares, or 1.80% of the shares of the Company.

The table below shows the situation based on the transparency notifications received under the Law of 2 May 2007. Any amendments communicated since 31 December 2021 have been published in accordance with the provisions of the above-mentioned law and can be consulted at www.kinepolis.com/corporate.

Shareholders' structure as per 31 December 2021

SHAREHOLDER	NUMBER OF SHARES	%
Kinohold BIS SA	12 700 050	46.41
Mr. Joost Bert	492 218	1.80
Kinepolis Group NV	422 552	1.54
Free Float, of which:	13 750 377	50.24
- BNP Paribas Asset Management SA	1 366 585	4.99
TOTAL	**27 365 197**	**100%**

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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

The Extraordinary General Meeting of 12 May 2021 has introduced a new article in the articles of association regarding the voting at distance before the General Meeting by electronic means and has adapted accordingly article 36. Moreover the Extraordinary General Meeting authorised the Board of Directors to increase the capital within the framework of the authorised capital as described in more detail in transitional decision 2 of the Articles of Association (https://corporate.kinepolis.com/en/investor-relations/corporate-governance/articles-association).


Joost Bert, chair of the Board of Directors

BOARD OF DIRECTORS AND SPECIAL COMMITTEES

The Company has opted for a one-tier governance structure, whereby the Board is authorised to carry out all actions that are necessary or useful to achieve the Company's purpose, except for those for which the General Meeting is authorised. The Company considers the one-tier structure to be the most appropriate governance structure that permits a rapid decision making and has proven its efficiency.

COMPOSITION OF THE BOARD OF DIRECTORS

From 8 May 2019, the Board of Directors consists of eight members, seven of whom have a non-executive role, and four of whom are to be considered independent of the reference shareholders and the management.

The Company considers Marion Debruyne BV, with Mrs. Marion Debruyne as permanent representative, as an independent director within the meaning of article 7:87 of the BCAC and article 3.5 of the Corporate Governance Code 2020 as she meets all criteria as provided for in the Corporate Governance Code of 2020 except the fact that the mandate has been held for more than 12 years what in view of the Company does not compromise the independent state of mind of the director who has always executed the mandate independent from the vision of the Executive Management and the reference shareholders and has at all times used her special and specific knowledge and know how, amongst others resulting from its academic career, exclusively in the interests of the Company and all stakeholders.

The other independent directors fulfil all the criteria described in the BCAC and the Corporate Governance Code 2020 and were appointed on the recommendation of the Board of Directors, which was advised on this by the Nomination and Remuneration Committee. The reference shareholders did not exercise their nomination right with regard to these appointments.

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

The chairmanship of the Board of Directors is held by Pentascoop NV [1], with Mr. Joost Bert as its permanent representative who in view of his extensive knowledge and experience in the national and international cinema sector, assists the CEO with respect for his executive responsibilities, with the necessary support and advice. He also supports the Board of Directors in conducting a high-quality dialogue with the shareholders, including the reference shareholders and thereby further contributes to sustainable value creation for the Company, with a focus on the long-term interests of all stakeholders.

Mr. Philip Ghekiere, as vice-chair, assisted the chair in the fulfilment of his mandate, and took over his role in the event of unavailability. As from fiscal year 2022 the role of vice-chair will not longer be filled in and in case of unavailability of the chair, his role will be taken over by the oldest director.

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

The **table below** gives an overview of the composition of the Board of Directors, as well as the attendance record of the various directors with regard to the 7 meetings that took place in 2021 .

ACTIVITY REPORT OF THE BOARD OF DIRECTORS
In view of the in 2021 ongoing Covid-19 pandemic and its impact on the Company, the agenda of the Board of Directors remained in 2021 adjusted to the circumstances and, in addition to the tasks assigned to the Board of Directors by the BCAC, the Articles of Association and the Charter, mainly the following issues were discussed:

- the impact of the Covid-19 pandemic on the Company and the cinema sector, and the measures taken to minimise it at most;
- the commercial and financial results, together with forecasts;
- the cash planning, taking different scenarios into account;
- the long and short-term financing;
- the long and short-term strategy and strategic projects;
- the 2022 budget plan and the 2022 'Entrepreneurship' plan;
- the ongoing cinema and real estate projects;
- the reports of the audit committee and the nomination and remuneration committee;
- the adoption of the new corporate governance charter;
- the remuneration policy;
- the management objectives and the variable remuneration related to these;
- the treasury policy;
- the sustainability strategy;
- the ICT policy, including the ICT security policy;
- the main business risks and the methods applied to mitigate them.

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

At least seven meetings are scheduled for the year 2022. Additional meetings may be held if needed.

Composition of the Board of Directors

NAME	POSITION	END DATE	OTHER POSITIONS AT LISTED COMPANIES	ATTENDANCE OF MEETINGS (7)
Mr. Joost Bert permanent representative of Pentascoop NV [1]	Chair	2024	/	All meetings
Mr. Philip Ghekiere [1]	Vice-chair	2024	/	All meetings
Mr. Eddy Duquenne [2]	Managing Director	2024	/	All meetings
Mrs. Sonja Rottiers, permanent representative of SDL Advice BV	Independent director	2022	bPost Independent non-executive director and member of the audit committee	All meetings
Mrs. Marleen Vaesen, permanent representative of Mavac BV	Independent director	2022	Van de Velde NV [3] Non-executive director	6 meetings
Mr. Ignace Van Doorselaere, permanent representative of 4F BV	Independent director	2023	/	All meetings
Mrs. Marion Debruyne, permanent representative of Marion Debruyne BV	Independent director	2023	Ackermans & van Haaren NV: Independent non-executive director	6 meetings
Mr. Geert Vanderstappen, permanent representative of Pallanza Invest BV [1]	Director	2022	Smartphoto Group NV: Non-executive director	All meetings

(1) Representing the reference shareholders
(2) Executive director
(3) CEO until 30 April 2022 and non-executive director as of 1 May 2022

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 AND ACTIVITY REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

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

- Pentascoop NV, with Mr. Joost Bert as the permanent representative and chair and former co-CEO of Kinepolis;
- 4F BV, with Mr. Ignace Van Doorselaere, as the permanent representative and CEO of Neuhaus;
- SDL Advice BV with Mrs. Sonja Rottiers as permanent representative and former CEO of Lloyds Insurance Company SA.

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

The Nomination and Remuneration Committee met four times in 2021, headed by its chair, and all members of the committee were present.

The following topics were primarily discussed during these meetings:

- the preparation of the renewed remuneration policy in light of the Implementation of the Shareholders rights directive in Belgian law;
- the feedback received on the remuneration policy and the remuneration report further to the General Meeting of 12 May 2021;
- the remuneration report to be included in the 2020 Annual Report;
- the evaluation of the 2020 targets for the Executive Management, and the variable remuneration linked to these;
- the target setting (both quantitative as qualitative) for the variable incentive for the Executive Management for 2021 as well as the related remuneration in case of achievement of the targets;
- the renewal of directorship mandates.

COMPOSITION AND ACTIVITY REPORT OF THE AUDIT COMMITTEE

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

- Pallanza Invest BV, with permanent representative Mr. Geert Vanderstappen, who combines 5 years' experience as a Corporate Officer at Corporate & Investment Banking at the Generale Bank with 7 years of operational experience as finance director at Smartphoto Group NV, and who is currently Managing Partner at Pentahold NV;
- Mavac BV, with permanent representative Mrs. Marleen Vaesen who, among other things, has held the position of CEO at Greenyard, and as of 1 May 2022 functions as non-executive director at Van de Velde NV after having fulfilled the role of CEO;
- SDL Advice BV, with permanent representative Mrs. Sonja Rottiers who held the position of CEO and executive director of Lloyd's Insurance Company SA and of CFO at Dexia Verzekeringen and Axa Belgium.

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

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

In 2021, the Audit Committee, under the chair of Mr. Geert Vanderstappen, met five times in the presence (or via representatives) of all members, and dealt mainly with the following items:

- the financial reporting in general, and of annual statutory and consolidated financial report, the half-yearly financial report, and the related press releases in particular;
- establishment and monitoring of the internal audit activities, including discussion of the annual report of the Internal Audit department and the internal audit plan 2021;
- the impact of Covid-19 on the financial reporting;
- the WACC for investment models;
- 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;
- the treasury policy;
- evaluation of the renewal of the mandate of the external auditor;
- the ICT security policy;
- monitoring of the Non-Audit Services regulations.

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

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

As the results of the performance assessment carried out in 2019 were discussed in 2020, a new formal evaluation will be organised in 2023.

DIVERSITY

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

In the coming years, the Board will not only focus its diversity policy on gender, skills and age, but also pay further attention to the international management experience of its directors in order to enable the Board to keep a close eye on the social and economic context and structure in the various geographical areas in which 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 resulted in a Board of Directors composed not only with three female directors, but also with directors with complementary profiles in terms of competence, knowledge and experience, including international management experience.

EXECUTIVE MANAGEMENT

Following the resignation in 2018 of Mr Bert as managing director, Mr Duquenne, as CEO, is the only member of the Executive Management. The Board of Directors has the authority to appoint further members of the Executive Management and discusses the succession plan for the CEO annually in an informal manner. Given the above-mentioned composition and the fact that no formal or informal executive committee has been set up within Kinepolis Group, no specific diversity policy applicable to the persons charged with day-to-day management has been developed, although the focus is placed on the required management and business experience, insights, skills and know-how needed to perform the function. The above-mentioned basic principle is applied throughout the organisation, regardless of the nationality, cultural background, age or gender of the employees.

Eddy Duquenne, CEO

INSIDER TRADING POLICY – CODE OF CONDUCT – TRANSACTIONS WITH AFFILIATES

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

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

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

Nicolas De Clercq, CFO and Compliance Officer

Remuneration report

I. INTRODUCTION

The remuneration policy of Kinepolis Group NV (hereafter Kinepolis) is designed to attract, motivate, and retain board and management members who can develop and implement Kinepolis' sustainable and long-term value creation strategy through their extended, complementary, and international know-how and experience. On proposal of the Nomination and Remuneration Committee the Board of Directors adopted the remuneration policy on 24 March 2021 (https://corporate.kinepolis.com/en/remuneration-policy), which was approved by the General Meeting of Shareholders of 12 May 2021 in line with the new requirements of Article 7:89/1 of the Belgian Code on Companies and Associations (hereafter BCAC). Kinepolis remuneration policy sets out the remuneration principles for the members of the Board of Directors and the Executive Management that currently consists of the CEO.

As Kinepolis values its stakeholders' views very highly, it has conducted a thorough analysis of the votes cast at the 2021 General Meeting and has, where appropriate, taken these into consideration in the renewed remuneration policy, (https://corporate.kinepolis.com/en/investor-relations/shareholders-meeting), which will be proposed to the 2022 General Meeting and will be applicable as of 1 January 2022, and in the current report as described under section VIII.

II. GENERAL PRINCIPLES OF THE KINEPOLIS REMUNERATION POLICY

The remuneration for the 2021 period was allocated to the Board of Directors and Executive Management based on the principles set out in the remuneration policy.

The remuneration policy is designed to enable Kinepolis to attract, develop and retain the right kinds of talent for the Board of Directors and for Executive Management. It will assure that they are compensated in accordance with their contribution to the long-term strategy of Kinepolis i.e. to remain a resilient, sustainable and innovative Group with an important added value for all stakeholders.

BOARD OF DIRECTORS

The chair and vice-chair of the Board of Directors as well as the Executive Director are allocated a fixed annual amount as determined in the remuneration policy. In the revised remuneration policy the fixed amount of € 100 000 for the vice-chair has not been retained as the role of vice-chair will no longer be filled.

The fixed annual amount allocated to the chair also includes a fee for chairing and participating in the Nomination and Remuneration Committee and for participation as non-executive board member in board meetings of other group companies and is set taking into account that the chair regularly represents Kinepolis on the international stage for the cinema business.

In accordance with the remuneration policy, the remuneration of the other non-executive members of the Board consists of a fixed remuneration that is composed of a basic annual amount for attending a set minimum number of board meetings, an attendance fee for participation in committee meetings and an additional fixed annual amount for the chair of the Audit Committee.

The fixed fees and attendance fees are determined in the remuneration policy and are granted every year at the General Meeting on the proposal of the Board of Directors assisted by the Nomination and Remuneration Committee.

Overview of the annual fixed fee and attendance fee applicable for the financial year 2021

	BOARD RELATED ACTIVITIES		COMMITTEE RELATED ACTIVITIES	
	CHAIR	MEMBER	CHAIR	MEMBER
Annual fixed fee	€ 570 000 (chair) € 100 000 (vice-chair)	€ 32 500 (1)	€ 3 750 (2)	n/a
Attendance fee	n/a	n/a	€ 3 000	€ 3 000

(1) The Non-Executive Directors each receive a yearly amount of € 32 500 if they attend at least 6 board meetings; if they attend less than 6 board meetings, the compensation will be reduced proportionally. The CEO is awarded an annual fixed amount of € 30 000 to participate as a board member in the board meetings.
(2) Applicable if different from the chair of the Board of Directors.

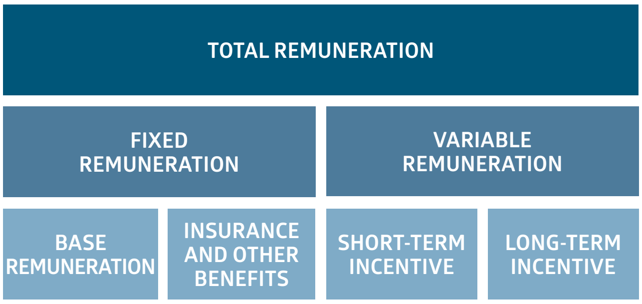
The newly proposed amounts applicable as of 1 January 2022 can be consulted in the revised remuneration policy.

The non-executive directors are not granted shares as part of their remuneration as Kinepolis is of the opinion that its strategy and general mode of operation focussed on long-term value creation is an inherent part of the vision of the Board of Directors without the necessity to on top (partially) link the remuneration to shares in Kinepolis. The non-executive directors do not receive any bonuses or share-related long-term incentive programmes, or any benefits in kind with the exception of the right to attend a number of film screenings every year.

EXECUTIVE MANAGEMENT

The remuneration paid to the Executive Management consists of four components: (i) a base remuneration, (ii) an annual short-term incentive, (iii) a long-term incentive (LTI) and (iv) insurance and other benefits.

Remuneration of the Executive Management



As the Executive Management already holds a significant and meaningful number of shares and stock options in the Company and is thus aligned with the long-term interest of Kinepolis, the Kinepolis remuneration policy does not currently prescribe any explicit minimum shareholding requirements.

Fixed remuneration

(1) Base remuneration

The base remuneration is determined bi-annually and is evaluated by the Board of Directors according to the Nomination and Remuneration Committee's proposal and reflects the experience, competences, activities and responsibilities of the person concerned. The evaluation takes into account a number of criteria such as:

- benchmark data of companies that are part of the Reference Framework in order to ensure that the remuneration is in line with market rates taking into account if the executive management is self-employed; the Reference Framework is composed by a selection of Belgian listed companies whose international activities, turnover and number of employees are comparable to those of Kinepolis ;
- changes in the job profile such as changes in the level of responsibilities or in the level of complexity; and/or
- changes in the size or activities of Kinepolis.

(2) Insurance and other benefits

Apart from a yearly cost allowance of € 9 000 and the benefit of a liability insurance scheme for directors and officers, the Executive Management will receive no fringe benefits. In line with market practices, the revised remuneration policy also provides the Board the possibility to integrate contributions to a pension scheme in the remuneration package of the Executive Management.

Variable Remuneration

The purpose of the variable component is to ensure that the interests of Executive Management are aligned with those of the Company and its stakeholders , i.e. that they lead to sustainable and long-term value creation, and provide the appropriate incentive to optimise the short-term and long-term objectives of the Group and its stakeholders.

In view of the fact that the performance criteria are set to ensure creation of long-term sustainable growth and value, and that the 2016 Share Option Plan incentivizes in a significant manner Executive Management in the long-term, the General Meeting of 12 May 2021 has, in accordance with article 7:91 of the BCAC, approved the Board of Directors' proposal to base the integral annual variable remuneration of the Executive Management for the periods of 2021 to 2024 included on objective and measurable performance indicators measured over a period of one year.

(1) Annual Short-term incentive (STI)

Although the STI is based on the realisation of short-term objectives, it needs to be emphasised that these objectives all support Kinepolis' long-term strategy.

In accordance with principle 7.10 of the 2020 Belgian Code on Corporate Governance the short-term incentive on target is on a two yearly basis set by the Board of Directors at a percentage of the fixed remuneration. In case of significant outperformance or exceptional achievement the maximum pay out (cap) can be increased to 100% of the fixed remuneration.

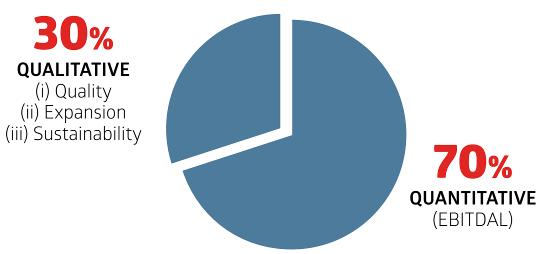
The targets customarily consist of both quantitative and qualitative targets, with 30% of the variable remuneration being linked to the achievement of the qualitative targets (being a mix of individual qualitative targets and qualitative targets of the Company to be achieved over a one-year period), and 70% being linked to the achievement of the quantitative targets to be realized over a one-year period:

- with respect to the quantitative objectives, the Board of Directors in normal times uses the evolution of the EBITDAL versus the targets set by the Board of Directors as a performance criterion, as this criterion is the relevant parameter for measuring the development of value creation within Kinepolis. If the EBITDAL achieved for the relevant year is situated in the predefined range, 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 criteria are based on (a) Kinepolis's well known three pillar strategy (Best Cinema Operator, Best Marketer, Best Real Estate Manager), (b) the internal and external expansion strategy and (c) the sustainability strategy.

The concrete objectives and milestones are determined and evaluated every year by the Board of Directors on the Nomination and Remuneration Committee's proposal.

SHORT-TERM INCENTIVE



(2) Long-term incentive (LTI)
On 11 May 2016, the General Meeting approved the 2016 Share Option Plan, under which 543 304 options (with a term up to 10 May 2024) on existing shares could be granted to the then chair of the Board of Directors, the Executive Management and eligible executives of the Company or its subsidiaries in order to enable the aforementioned persons to participate in the long-term shareholder value they will help create, thereby aligning their interests with the interests of the shareholders. By granting stock options, Kinepolis aims to be able to attract, motivate, commit and retain the best management talent for Kinepolis in the long-term.

Notwithstanding the fact that, in line with the Belgian market practice for small and mid-cap companies, the granting of stock options is not linked to predetermined and objectively quantifiable performance criteria, the interest of the Executive Management is however considered to be aligned with that of Kinepolis on a long-term basis as the value of the remuneration element lies in the long term evolution of the share price.

Moreover, the goal to retain valuable key personnel who contribute to the long-term growth of Kinepolis is achieved amongst other things by the gradual vesting of the stock options over a period of 5 years and the fact that the vested stock options can only be exercised as of the 4th year after they were granted.

The main features of the stock options can be summarised as follows:

- The exercise price is determined in accordance with the Belgian Share Options Law;
- The options are vested over a period of 5 years;
- The vested options become exercisable as from the 4th year following the date they were granted;
- The term of the options is limited to 8 years as from the date of the approval of the plan by the general shareholders' meeting;
- The options are subject to Bad Leaver provisions;
- The options will not be transferable, except in the event of death.

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

Claw-back provision
There are no explicit contractual claw-back provisions provided for up to 31 December 2021. The general provisions provided for in the Belgian Civil Code apply in case of fraud or malicious intent with regard to the figures on which the variable remuneration has been calculated on.

In accordance with provision 7.12. of the Code and based on the Nomination and Remuneration committee's proposal, the Board has proposed the General Meeting of 11 May 2022 to insert a claw-back provision in the contractual arrangements with the Executive Management applicable as of 1 January 2022.

This will enable the Board to fully or partially reclaim the settled variable remuneration:

(i) where there is a material misstatement in the Company's financial results on which the variable remuneration has been calculated on leading to a restatement of the audited accounts; or

(ii) in the event of fraud or malicious intent by a member of the Executive Management which has a material adverse effect on the Company's financial results on which the variable remuneration has been calculated on.

The claw-back clause can be applied for a period of 3 years following the pay-out of the variable remuneration.

III. APPLICATION OF THE POLICY IN 2021

The Remuneration Report gives an overview of the remuneration policy as applied in 2021.

As in 2020, the past year was dominated by the Covid-19 crisis, which of course had an impact on the activities and results of Kinepolis. However, notwithstanding these challenging financial and operational Covid-19 related circumstances, Kinepolis succeeded in finishing the construction of 3 new movie theatres, in limiting its cash drain and even in building up significant cash reserves in the second half of the year thanks to strong cost management.

The results from the second half of the year were largely supported by the implementation of the Kinepolis 'Entrepreneurship 2022' plan. The plan is based on cost saving and innovative solutions, and strives to make Kinepolis future proof in a challenging environment for the cinema industry.

REMUNERATION OF THE BOARD OF DIRECTORS
The board of directors was remunerated in accordance with the principles described in the remuneration policy. After the 20% remuneration cut in 2020, the 2021 remuneration was restored at the level as described in the remuneration policy.

Remuneration of the Board of Directors

NAME	TITLE	2020 REMUNERATION (IN €)	REMUNERATION FOR ATTENDANCE TO BOARD MEETINGS	REMUNERATION FOR ATTENDANCE TO COMMITTEEE MEETINGS	2021 TOTAL REMUNERATION (IN €) (1)
Mr. Joost Bert, Permanent representative of Pentascoop NV	Chair	454 531	568 164	-	568 164 (2)
Mr. Philip Ghekiere	Vice-chair	80 000	100 000	-	100 000
Mr. Eddy Duquenne	Managing Director	24 000	30 000	-	30 000
Mrs. Sonja Rottiers, Permanent representative of SDL Advice BV	Independent director	40 400	32 500	27 000	59 500
Mrs. Marleen Vaesen, Permanent representative of Mavac BV	Independent director	35 600	32 500	15 000	47 500
Mr. Ignace Van Doorselaere, Permanent representative of 4F BV	Independent director	30 800	32 500	12 000	44 500
Mrs. Marion Debruyne, Permanent representative of Marion Debruyne BV	Independent director	26 000	32 500	-	32 500
Mr. Geert Vanderstappen, Permanent representative of Pallanza Invest BV	Director	38 600	32 500	18 750	51 250
TOTAL		**729 931**			**933 414**

(1) All amounts are gross amounts before tax.
(2) Of which a significant amount was in light of the Covid-19 crisis deferred to a later stage.

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

With the exception of the right to attend film screenings in Kinepolis cinemas, the non-executive directors received no other remuneration, benefits, share-based or other incentive bonuses from Kinepolis in 2021.

As reported in previous years, the chair of the Board of Directors was granted 45 000 options in 2017 in his then capacity as co-CEO and the vice-chair the same number in his then capacity of executive chair of the Board of Directors.

In accordance with the Share Option Plan 2016 the last tranche of the share options vested in the beginning of 2022, i.e. 7 515 options for both members who exercised no share options in 2021.

REMUNERATION OF THE CEO

While the remuneration envelope for the CEO remained unchanged in 2021 [1], the Nomination and Remuneration Committee and the Board of Directors will evaluate the package in 2022 in line with the principles described in the remuneration policy and will make sure that an appropriate balance is maintained between the fixed and the variable part. In the current package the variable part amounts to approximately 40% of the total remuneration if all targets are met and up to 50% in cases of an exceptional performance.

Base remuneration

While the base salary remained at the amount of € 725 242, the payment of a significant part was during the ongoing Covid-19 crisis spontaneously deferred by the CEO until a later stage.

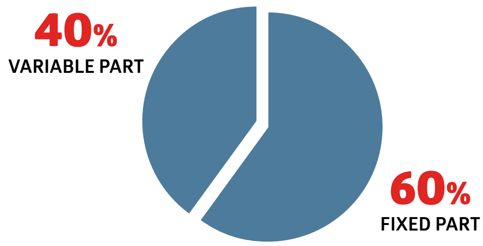
Insurance and other benefits

Apart from a yearly cost allowance of € 9 000 and the benefit of a liability insurance scheme for directors and officers, the Executive Management received no fringe benefits nor contributions to a pension scheme.

Variable remuneration (STI)

As the remuneration report describes the variable remuneration that is awarded by the board in 2021 for the performance in 2020, the performance targets and amount of variable remuneration in this report refer to those for the fiscal year 2020.

TOTAL REMUNERATION



Quantitative target

As the Covid-19 crisis led to unpredictable forecasts for Kinepolis, the Board of Directors decided in 2020, in line with the remuneration policy, to replace the ‘classic’ quantitative EBITDAL performance target by a more general performance target that evaluates how Kinepolis faces the Covid-19 crisis from an operational and financial point of view.

Qualitative target

The qualitative targets were designed to not only take into account long-term sustainable value creation but also the consequences of the Covid-19 crisis. The management objectives for the fiscal year 2020 therefore consisted of (i) the further development of the improvement potential of the MJR theatres, (ii) optimisation of internal reporting tools and administrative processes leading to a more efficient organisation, (iii) further development of Kinepolis’s sustainability strategy and (iv) development of a resilient and agile business strategy to face the Covid-19 crisis which includes further development of internal and external expansion opportunities.

(1) Namely a base salary of € 725 242 and variable remuneration of € 485 000 if all targets are met.

Overview of performance measures used for the financial year 2020

PERFORMANCE MEASURE		DESCRIPTION & RELEVANCE TO OUR STRATEGY	RELATIVE WEIGTING
Quantitative	Ability of Kinepolis to cope with the Covid-19 pandemic	To achieve its three pillar strategy [1], Kinepolis needs to ensure its financial stability over the long-term, in particular in a crisis context.	70%
Qualitative	Ability of Kinepolis to increase the potential of MJR cinemas	The increase of this potential will contribute to the long term growth strategy of Kinepolis.	30%
	Optimisation of internal reporting tools	The optimisation of internal reporting, management and forecasting tools contributes to the effectiveness of the organisation and supports Kinepolis in the implementation of her three pillar strategy.	
	Further development of the sustainability strategy	Kinepolis wants to create sustainable value for customers, employees, shareholders, business partners and the community.	
	Development of a resilient and agile business strategy to face the Covid-19 pandemic	This business strategy is obviously focussed on supporting the long term growth strategy.	
TOTAL			**100%**

(1) To achieve this objective, Kinepolis's strategy relies on three pillars: (i) the best marketer, (ii) the best cinema operator, and (iii) the best real estate manager.

Evaluation of the 2020 performance
The consolidated results clearly establish that Kinepolis maintained a solid financial basis throughout the fiscal year 2020 — a year in which the cinema industry was extremely badly hit by the pandemic with long periods of cinema closures followed by periods of restrictive measures as well as repeated postponements of blockbuster releases. However, thanks to the financial and operational business strategy, not only was the operational cash drain limited to € 3.6 million per month in the second half of 2020 and the EBITDAL loss of 2020 limited to -€ 14 million but also an additional loan of € 80 million was secured providing Kinepolis with sufficient financial reserves to face the ongoing consequences of the pandemic and to launch four new construction projects.

Furthermore, Kinepolis showed itself to be very agile by swiftly implementing the rapidly changing restrictive operational measures imposed by the various governments. It also succeeded in maintaining a safe and welcoming environment not only for its visitors but also for its employees which enabled it to limit the talent drain.

As far as the qualitative targets are concerned, the predominant focus of the Executive Management shifted, as the pandemic continued for a longer period than initially anticipated, to the adaptation of the business strategy to the Covid-19 crisis. This has resulted in the development of the Entrepreneurship 2022 plan which, based on further optimisation and innovation measures, will support the future profitable performance of Kinepolis.

In view of the ongoing Covid-19 pandemic the CEO decided however to waive any right to an STI for the performances in the year 2020.

Total remuneration granted in 2021 [1]

EDDY DUQUENNE BV	FIXED REMUNERATION		VARIABLE REMUNERATION IN THE SHORT-TERM	EXCEPTIONAL ITEMS	PENSION COST	TOTAL REMUNERATION	RATIO OF FIXED AND VARIABLE REMUNERATION
	BASIS	ADDITIONAL BENEFITS [2]					
2021	725 242 [3]	9 000	0	0	0	734 242	Fixed: 100% Variable: 0%

(1) The payment of the variable remuneration granted for the fiscal year 2019 was deferred by the CEO and paid in 2021.
(2) Expense allowance
(3) Of which an important part is deferred to 2022 in the context of the pandemic.

Long term incentives (LTI)
In accordance with the Share Option Plan 2016, the last tranche of the share options, that were granted in 2017, vested in the beginning of 2022.

The CEO exercised no share options in 2021 nor were any additional share options granted.

BENEFICIARY	NUMBER OF OPTIONS GRANTED IN 2017	TOTAL NUMBER OF OPTIONS VESTED	NUMBER OF OPTIONS EXERCISED
Eddy Duquenne	90 000	90 000	0

IV. SEVERANCE PAYMENTS

There were no severance payments as no members of the Board of Directors or Executive Management left the Company in 2021.

V. CLAW-BACK RIGHTS

No circumstances arose in 2021 that would give cause to reclaim all or part of the variable remuneration.

VI. EVOLUTION OF THE REMUNERATION AND PERFORMANCE OF KINEPOLIS

	2017	2018	2019	2020	2021
Remuneration of directors	+6.53%	+89.73% (1)	+19.52%	-21.90% (2)	+27.87 %
Remuneration CEO Eddy Duquenne (3)	-11.66%	+19.74%	+1.08%	+10.57% (4)	-42.1 %
Remuneration CEO Joost Bert	-6.46%	-34.98%	-100% (5)	/	/
Net profit	+2.98%	-3.38%	+14.69%	-227.11%	+63.53%
Adjusted EBITDA	+10.28%	+14.10%	+46.34%	-89.96%	+313.11%
Average remuneration of employees (6)	+12%	+5%	-14%	-31% (7)	+21%

(1) The increase is explained by the fact that a new chair was appointed as of 11 May 2018.
(2) The remuneration of the board was cut with 20% in 2020.
(3) In this evolution we have considered the total remuneration where, as for the STI, we have taken into account the amount which has been awarded for targets realised in the prior year; the evolution does not include the remuneration as director.
(4) For the sake of comparability, the deferred payment in 2021 of the variable remuneration for performance in 2019 has in line with Kinepolis's reporting, been added to the remuneration for 2020.
(5) Mr. Bert was CEO until 10 May 2018.
(6) The evolution is based on the cost of labor of Kinepolis Group NV of all employees and of all natural and legal persons linked to Kinepolis by a management agreement or similar and takes into account the fixed and variable remuneration, vacation pay, end-of-year pay, all extra-legal payments and employer contributions.
(7) Corrected number as the figure reported in 2020 was erroneous.

VII. RATIO BETWEEN THE HIGHEST AND LOWEST REMUNERATION

The ratio between the highest and lowest remuneration within Kinepolis Group NV is a factor of 17,64. This includes all components of the remuneration. More specifically for the lowest remuneration, this includes: fixed remuneration, variable remuneration, vacation pay, end-of-year pay, all extra-legal payments and employer contributions.

VIII. SHAREHOLDER'S VOTE

In accordance with section 7:149, paragraph 3 of the BCAC, Kinepolis has reflected on the votes casted by shareholders when determining the remuneration for the 2021 period. After careful review, the Board of Directors considers the remuneration policy as approved in 2021 to be a balanced and transparent policy. The performance goals enhance the long-term financial and operational performance of Kinepolis as clearly appreciated by the investor community and as demonstrated by the financial results prior to the Covid-19 pandemic as well as during the pandemic.

Notwithstanding this, Kinepolis has, where appropriate, explained in more detail in this remuneration report the rationale behind the choices made regarding the remuneration policy and has proposed the 2022 General Meeting to introduce a claw-back mechanism as prescribed in the 2020 Belgian Corporate Governance Code.

As Kinepolis values the feedback of its shareholders, she will continue to integrate their feedback into the discussions of the Nomination and Remuneration Committee in 2022. Looking to the future, the Nominations and Remuneration Committee will also evaluate the current design of the different variable remuneration components for Executive Management.

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 makes use of the 'Integrated Framework for Enterprise Risk Management' in this regard as developed by the Committee of Sponsoring Organisations of the Treadway Commission ('COSO'). This framework integrates both the internal control and risk management processes and is aimed at the identification and management of strategic, operational and reporting risks, as well as legal and regulatory risks in order to ensure the achievement of the corporate objectives.

Kinepolis Group uses this framework to implement a system of Risk Management or to control the above risks in the business processes and financial reporting. The system is developed centrally and is uniformly applied as far as possible in the various parts of the organisation and its subsidiaries. The system 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 of the Board of Directors (and its various committees) and the Executive Management regarding risk-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 subordinates (who may, in turn, be managers).

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

APPLICATION OF THE VARIOUS COMPONENTS

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

INTERNAL CONTROL ENVIRONMENT

An appropriate internal environment is a precondition for being able to effectively apply other risk-management components. With this in mind, Kinepolis Group highly values 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, the management of the budget and the remuneration process are also aligned to each other.

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

SETTING OF OBJECTIVES

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

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

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

INTERNAL CONTROL

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

As stated above, it is first and foremost the duty of every manager to properly set up and implement the various internal risk-management activities (including monitoring) within the scope of his/her job. In other words, each line manager is responsible for the appropriate and timely identification and evaluation of business risks and the ensuring that control measures are 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 using standard lists for the internal controls 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 by law, 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 meeting the objectives and explain the discrepancies on a monthly basis. This analysis may identify potential improvements with regard to the existing risk management activities and measures;

- Internal Audit: the existing risk management activities and measures will be regularly assessed by the Internal Audit department with regard to internal rules and best practices. Possible improvements will be discussed with the Management and will result in the implementation of concrete action points that further tighten risk management.

DESCRIPTION OF THE MAIN BUSINESS RISKS

In order to gain insight into the main business risks, the Board of Directors and the Management of the Company conducts a risk assessment on an annual basis, and this assessment is subsequently analysed and validated by the Board of Directors. As in previous years, this took place in 2021 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 in the definition of risk, provides no guarantee whatsoever of the actual occurrence of risk events. The following list (in random order) therefore contains only some of the risks to which 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. To the extent possible, Kinepolis Group endeavours to protect itself against this by maintaining or establishing good long-term relations with the major film distributors and producers or other content providers, by pursuing a policy of content diversification, and by playing a role as a distributor in Belgium. The investments in Tax Shelter projects in Belgium should also be viewed in this light.

SEASONAL EFFECTS
The operating revenue of Kinepolis Group can vary from period to period, as the producers and distributors decide independently of the cinema operators, when their movies are released, 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 endeavours to mitigate the consequences, among other things, by 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. This competition not only results from the presence of cinemas run by other operators in the markets in which the Group is active, and from the possible opening of new cinema complexes in those markets, but also from the increasing availability and sometimes even simultaneous or exclusive availability of films and series via online content media, such as Netflix, Apple and Disney+. This development may be further influenced by the continuous technical improvement of the quality of these alternative ways of viewing a film. In addition to these legal alternatives, the cinema industry also has to deal with illegal downloads. Kinepolis is working actively together with distributors to agree measures to counter a possible increase in the illegal online sharing of content. Finally, the position of Kinepolis Group is impacted by increasing competition from other forms of leisure activities, such as concerts, sporting events, gaming, etc., that can have an influence on the behaviour of Kinepolis customers.

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

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

RISKS ASSOCIATED WITH GROWTH OPPORTUNITIES
With further growth, competition authorities can impose (additional) conditions and restrictions on the growth of 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 targets set. Kinepolis Group will thereby also thoroughly examine growth opportunities in advance to ensure these risks are properly assessed and, where necessary, managed.

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

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TECHNOLOGICAL RISKS

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

PERSONNEL RISKS

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

CUSTOMER RISKS

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

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

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

In addition, in line with its best marketer strategy, 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 Company's privacy policy remains up-to-date at all times, and the status of the Company's GDPR maturity is discussed in internal committees as well as in the Audit Committee.

Last but not least, 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 or more 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 as far as possible through a combination of preventive measures (such as structural engineering decisions, evacuation planning) and detection measures (such as fire detection systems) by taking out adequate insurance, and through a strong focus on cost management.

ENVIRONMENTAL LIABILITY AND PROPERTY RISKS

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

OTHER RISKS

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

FINANCIAL RISKS AND USE OF FINANCIAL INSTRUMENTS

The Kinepolis Group is exposed to a number of financial risks in its daily operations, such as interest risk, currency risk, credit risk and liquidity risk.

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

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 2021, net financial debt of the Group was € 474,5 million, excluding lease liabilities. In order to hedge the interest risk on a fixed-term loan of € 5,9 million, Interest Rate Swaps were entered into for the same amount.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The company complies with the principles of the 2020 Code.

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

- Provision 4.6. of the Code: the professional qualifications and duties of the directors to be re-appointed were not stipulated in the convening notices to the General Meeting of 12 May 2021, given that these qualifications were already published in several press releases and annual reports.

- Provision 7.6. of the Code: the non-executive directors will not be partly remunerated in shares, as the Company considers that sustainable value creation is an essential pillar of the Kinepolis strategy that is subscribed to by all directors, whether they are share-holders or not.

- Provision 7.9. of the Code: no minimum threshold has been set for shares to be held by the Executive Management, as the remuneration package for the Executive Management is already sufficiently geared towards sustainable value creation and Executive Management already holds a significant participation in the Company.

- Provision 7.12 of the Code: no formal claw-back stipulation was introduced as the Company was of the opinion that the civil code rules provide sufficient mechanics to recover any remuneration paid on the basis of false financial statements. In view of the votes casted at the General Meeting of 12 May 2021, the Company has decided to propose to the General Meeting to be held in 2022 the introduction of a claw-back clause as described in the remuneration report.

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

Kinepolis continued to invest in 2021 in, amongst others, new customer experiences such as new seating concepts and subscription formulas, new marketing and CRM concepts.


ScreenX theatre

POLICY WITH REGARD TO CONFLICTS OF INTERESTS

On 24 March 2021, the following decisions were taken by the Board of Directors, pursuant to Article 7:96 of the BCAC:

- the evaluation of the CEO's 2020 management targets and the related variable remuneration;
- the establishment of the management objectives for the 2021 period and the related variable remuneration.

PROFIT APPROPRIATION AND DIVIDEND PAYMENT

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

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

Improving the customer experience

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.

23 March 2022

Eddy Duquenne
CEO Kinepolis Group

Euronext Bell Ceremony, April 2018

13 Share information

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

NUMBER OF SHARES

	2017	2018	2019	2020	2021
Number of shares at 31 December	27 365 197	27 365 197	27 365 197	27 365 197	27 365 197
Weighted average number of ordinary shares (1)	27 232 851	26 936 217	26 872 851	26 884 346	26 900 080
Weighted average number of diluted ordinary shares (2)	27 268 051	27 010 648	27 084 005	27 158 344	27 186 753

SHARE TRADING

	2017	2018	2019	2020	2021
Closing price at 31 December (in €)	55.66	48.80	59.20	34.75	54.80
Market value at closing price (in '000 €)	1 523 147	1 335 422	1 620 020	950 941	1 499 613
Lowest price of the year (in €)	42.1	42.6	45.8	18.8	32.1
Highest price of the year (in €)	61.3	61.4	62.3	62.0	58.3
Traded volume per year	3 891 319	4 590 753	3 224 004	19 055 736	13 831 920
Average traded volume per day	15 260	18 059	12 643	74 147	53 612

Source: Euronext

EVOLUTION SHARE PRICE AND VOLUME OVER THE LAST 5 YEARS

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


Tickets
WELKOM
KINEPOLIS
KINEPOLIS LEIDSCHENDAM
HITMAN'S WIFE'S BODYGUARD
STORMWIND
now

14 Financial report

Consolidated income statement

at 31 December

IN '000 €	NOTE	2020	2021
Revenue	3	176 282	266 393
Cost of sales	6	-219 639	-260 023
Gross result		**-43 357**	**6 370**
Marketing and selling expenses	6	-17 314	-14 274
Administrative expenses	6	-20 234	-22 370
Other operating income	4	15 536	24 485
Other operating expenses	4	-294	-756
Operating result		**-65 663**	**-6 545**
Financial income	7	1 552	851
Financial expenses	7	-27 604	-29 213
Result before tax		**-91 715**	**-34 907**
Income tax expenses	8	22 604	9 401
RESULT FOR THE PERIOD		**-69 111**	**-25 506**
Attributable to:			
Owners of the Company		-68 879	-25 399
Non-controlling interests		-232	-107
RESULT FOR THE PERIOD		**-69 111**	**-25 506**
Basic result per share (€)	19	**-2.56**	**-0.94**
Diluted result per share (€)	19	**-2.54**	**-0.93**

Consolidated statement of profit or loss and other comprehensive income

at 31 December

IN '000 €	NOTE	2020	2021
Result for the period		-69 111	-25 506
Realised results		**-69 111**	**-25 506**
Items to be reclassified to profit or loss if specific conditions are met in the future:			
Translation differences on intra-group non-current borrowings in foreign currencies	*18, 26*	-10 890	13 359
Translation differences of annual accounts in foreign currencies	*18*	-8 250	5 766
Cash flow hedges – effective portion of changes in fair value	*26*	82	59
Income taxes relating to the components of other comprehensive income to be reclassified to profit or loss in subsequent periods	*13*	2 395	-2 229
		-16 664	16 955
Items that will not be reclassified to profit or loss:			
Changes to estimates of employee benefits	*22*	96	441
Income taxes relating to the components of other comprehensive income not to be reclassified to profit or loss in subsequent periods	*13*	-24	-110
		72	331
Other comprehensive income for the period, net of income taxes		-16 592	17 286
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		-85 703	-8 221
Attributable to:			
Owners of the Company		-85 426	-8 145
Non-controlling interests		-277	-76
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**-85 703**	**-8 221**

THE NOTES ON P. 130-199 ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

Consolidated statement of financial position

at 31 December

ASSETS

IN '000 €	NOTE	2020	2021
Intangible assets	*9*	11 673	11 129
Goodwill	*10*	163 148	169 498
Property, plant and equipment	*11*	521 136	498 087
Right-of-use assets	*27*	362 481	353 320
Investment property	*12*	17 557	17 406
Deferred tax assets	*13*	14 778	23 812
Other receivables	*15*	6 321	6 352
Other financial assets		27	27
Non-current assets		1 097 121	1 079 631
Inventories	*14*	3 865	4 980
Trade and other receivables	*15*	26 756	33 754
Current tax assets	*25*	7 431	1 418
Cash and cash equivalents	*16*	33 007	75 295
Current assets		71 059	115 447
TOTAL ASSETS		**1 168 180**	**1 195 078**

EQUITY AND LIABILITIES

IN '000 €	NOTE	2020	2021
Share capital	*18*	18 952	18 952
Share premium	*18*	1 154	1 154
Consolidated reserves		123 640	100 676
Translation reserve	*18*	-17 254	-54
Total equity attributable to the owners of the Company		126 492	120 728
Non-controlling interests	*18*	4	-79
Total equity		126 496	120 649
Loans and borrowings	*21*	469 882	478 494
Lease liabilities	*27*	358 317	354 271
Provisions for employee benefits	*22*	998	1 491
Provisions	*23*	2 021	1 941
Deferred tax liabilities	*13*	13 107	12 158
Derivative financial instruments	*26*	87	28
Other payables	*24*	6 356	5 396
Non-current liabilities		850 768	853 779
Bank overdrafts	*16*	112	12
Loans and borrowings	*21*	76 599	71 557
Lease liabilities	*27*	35 295	36 296
Trade and other payables	*24*	78 335	111 543
Provisions	*23*	269	358
Current tax liabilities	*25*	306	884
Current liabilities		190 916	220 650
TOTAL EQUITY AND LIABILITIES		**1 168 180**	**1 195 078**

Consolidated statement of cash flow

at 31 December

IN '000 €	NOTE	2020	2021
Result before tax		-91 715	-34 907
Adjustments for:			
Depreciations and amortisations	6	80 442	81 031
Provisions and impairments	15, 23	2 282	-1 819
Government grants	4	-950	-1 409
(Gains) Losses on sale of property, plant and equipment	4	-25	-459
Change in fair value of derivative financial instruments and unrealised foreign exchange results	26	48	-148
Unwinding of non-current receivables and provisions	7, 23	-259	-171
Share-based payments	5	469	293
Amortisation of refinancing transaction costs	7	513	619
Interest expenses and income	7	24 917	25 775
Forgiveness of lessee's lease payments	4, 27	-7 540	-11 750
Change in inventories		2 148	-1 033
Change in trade and other receivables		25 868	-4 019
Change in trade and other payables		-52 364	32 407
Cash flow from operating activities		**-16 166**	**84 409**
Income taxes paid / received		-4 074	4 465
Net cash flow - used in / + from operating activities		**-20 240**	**88 874**
Acquisition of intangible assets	9	-1 848	-1 648
Acquisition of property, plant and equipment and investment property	11, 12	-43 372	-15 406
Advance lease payments	27	-40	-254
Acquisition of subsidiaries, net of acquired cash	10	-87	
Proceeds from sales of investment property, intangible assets and property, plant and equipment	9, 11, 17	995	1 579
Net cash flow used in investing activities		**-44 352**	**-15 730**
Acquisition of non-controlling interests	18, 21, 34		-341
Investment contributions	21, 27	3 340	1 298
Payment of lease liabilities incl. forgiveness of lessee's lease payments	21, 27	-9 244	-12 599
Proceeds from loans and borrowings	21, 26	66 500	80 000
Repayment of loans and borrowings	21, 26	-10 099	-76 599
Payment of transaction costs with regard to refinancing obligations	7, 21, 26	-45	-449
Interest paid	7, 21	-14 501	-15 534
Interest received	7, 21	5	
Paid interest related to lease liabilities	21, 27	-10 248	-10 323
Sale of treasury shares	18, 20, 21, 26	478	2 422
Net cash flow - used in / + from financing activities		**26 186**	**-32 124**
+ INCREASE / - DECREASE IN CASH AND CASH EQUIVALENTS		**-38 406**	**41 019**
Cash and cash equivalents at beginning of the period	16	72 358	32 895
Cash and cash equivalents at end of the period	16	32 895	75 283
Effect of exchange rate fluctuations on cash and cash equivalents		-1 057	1 368
+ INCREASE / - DECREASE IN CASH AND CASH EQUIVALENTS		**-38 406**	**41 019**

THE NOTES ON P. 130-199 ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

Consolidated statement of changes in equity

at 31 December

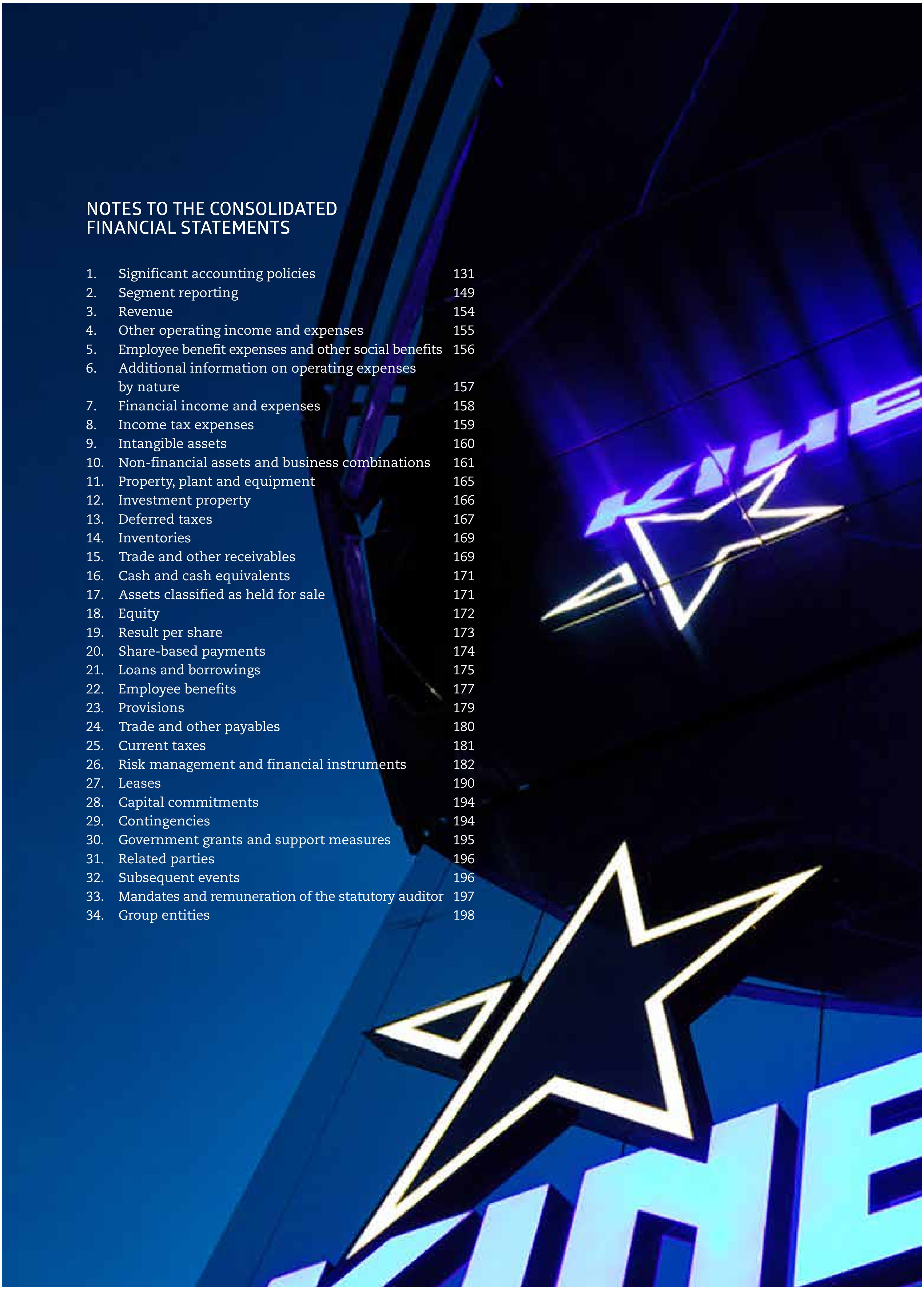
IN '000 €								2021
	ATTRIBUTABLE TO OWNERS OF THE COMPANY						NON-CONTROLLING INTERESTS	TOTAL EQUITY
	SHARE CAPITAL AND SHARE PREMIUM	TRANSLATION RESERVE	HEDGING RESERVE	TREASURY SHARES RESERVE	SHARE-BASED PAYMENTS RESERVE	RETAINED EARNINGS		
AT 31 DECEMBER 2020	**20 106**	**-17 254**	**260**	**-22 610**	**3 445**	**142 548**	**4**	**126 496**
Result for the period						-25 399	-107	-25 506
Realised results						-25 399	-107	-25 506
Items to be reclassified to profit or loss if specific conditions are met in the future:								
Translation differences [(1)]		19 094					31	19 125
Cash flow hedges – effective portion of changes in fair value			59					59
Income taxes relating to the components of other comprehensive income to be reclassified to profit or loss in subsequent periods [(2)]		-1 894	-15			-320		-2 229
		17 200	44			-320	31	16 955
Items that will not be reclassified to profit or loss:								
Changes to estimates of employee benefits [(3)]						441		441
Income taxes relating to the components of other comprehensive income not to be reclassified to profit or loss in subsequent periods [(2)]						-110		-110
						331		331
Other comprehensive income for the period, net of income taxes		17 200	44			11	31	17 286
Total comprehensive income for the period		17 200	44			-25 389	-76	-8 221
Sale of treasury shares [(4)]				1 113		1 309		2 422
Share-based payments [(4)]					-177	470		293
Acquisition of non-controlling interests, without changes in control [(5)]						-334	-6	-341
Total transactions with owners, recorded directly in equity				1 113	-177	1 445	-6	2 374
AT 31 DECEMBER 2021	**20 106**	**-54**	**304**	**-21 497**	**3 268**	**118 604**	**-79**	**120 649**

(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 22.
(4) For more information, we refer to notes 18 and 20.
(5) For more information, we refer to notes 18 and 34.

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

(1) For more information, we refer to note 13.
(2) For more information, we refer to note 22.
(3) For more information, we refer to notes 18 and 20.

THE NOTES ON P. 130-199 ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.



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 Kinepolis Group for the year ending 31 December 2021 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 23 March 2022.

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 2021.

GOING CONCERN PRINCIPLE

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

As a result of the global outbreak of the Corona virus, there were alternating periods of closure and opening of cinemas in 2021 and 2020, often with restrictions, with this differing from country to country. Due to the closure of almost all cinemas until the end of May / beginning of June 2021, the majority of the Group's turnover was lost for several months. Even after reopening, there were still measures in place in most countries with regard to capacity restrictions, distancing rules and access restrictions, such as having a Covid passport, and there were closures again in Belgium and the Netherlands in the fourth quarter. This has a serious impact on the Group's financial results in 2021.

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

However, the willingness of customers to go to the cinema remains high. A big difference in comparison with 2020 was the fact that the blockbusters, with which the Group generates 80% of its visitors under 'normal' circumstances, were launched in cinemas, partly thanks to the reopening of the cinemas on the North American continent in the first half of the year. Successful releases such as 'No Time to Die' (James Bond) and 'Spider-Man: No Way Home' showed that customers would massively come back for good, high-quality content, despite the continuous obstacles and impact of the Covid-19 pandemic. For more detailed information in this regard, we refer to note 10.

At the start of the crisis in 2020, Kinepolis had a strong balance sheet, sufficient financial reserves and credit lines that allowed the Company to close for more than a year. In order to be prepared for possible longer delays before the full resumption of its activities, Kinepolis has taken out an additional loan of € 80.0 million with its main bankers in January 2021, for a period of 3 years. In this context, the banks also extended the suspension of the credit covenants ('covenant holiday') until 30 June 2022. Based on the current results and assumptions, the Group should be able to comply with its covenants as of 30 June 2022. However given the uncertainty associated with the pandemic, it has been decided, as a precautionary measure, to request an extension of the suspension from the banks until 31 December 2022. This extension of the suspension until 31 December 2022 was obtained in March 2022.

As soon as the cinemas were able to reopen in most markets and the film releases returned to a normal pace, the Group was able to present strong free cash flow generation, thanks in part to the recovery of the lost working capital. As per 31 December 2021, free cash flow was € 48.9 million, with net financial debt, excluding lease liabilities, amounting to € 474.5 million. Net financial debt decreased by € 38.8 million compared to 31 December 2020.

Kinepolis Group had € 171.0 million in liquidity at the start of 2021, consisting of cash and cash equivalents and available credit lines, including the new € 80.0 million credit concluded at the beginning of January 2021. The liquidity position at the end of June amounted to € 141.9 million. Thanks to strong cost management, one-off support measures and the good operating result, Kinepolis was able to limit its free cash flow in the first half of the year to an average of € -3.6 million per month, even under the circumstances of the majority of the cinemas remaining closed until June. In the second half of the year, the reopening of the cinemas and the return of the blockbusters, together with the measures taken to improve the Company's performance, ensured a further increase of the liquidity position to € 199.8 million.

Kinepolis therefore has, thanks to the measures taken, sufficient available financial resources to deal with this crisis. Kinepolis has pursued a prudent financial policy in recent years. This has resulted in an average maturity of more than 3.5 years for the outstanding financial liabilities as per 31 December 2021. The next significant repayment of its bonds took place at the end of January 2022 (€ 61.4 million), and this from the available financial resources. The remaining average maturity as per 31 January 2022 is equal to 4.08 years. After the repayment in January 2022, there are no more significant financial maturities in 2022 and 2023. In December 2021, the maturity date of the roll-over credit was also extended from December 2024 to December 2026 by exercising the two foreseen extension options. For more information we refer to notes 21 and 26.

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

BASIS OF PREPARATION

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

The consolidated financial statements were drawn up on a historical cost basis, with the exception of the following assets and liabilities, which are recorded at fair value: derivative financial instruments, contingent considerations and financial assets measured at fair value through other comprehensive income. In accordance with IFRS 5, assets classified as held for sale are measured at the lower of their carrying amount and fair value, less costs to sell.

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

The amendments to standards applicable as of 1 January 2021, have no material impact on the consolidated financial statements, except for the second amendment to IFRS 16, Covid-19 Related Rent Concessions beyond 30 June 2021. This second amendment provides an extension of the application period of one year and is applicable as of 1 April 2021, with early application permitted.

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

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

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

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

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

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

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

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

PROVISIONS

The estimates and judgements that most impact the amount of the provisions are the estimated costs and the expected likelihood and timing of the cash outflows. They are based on the most recent available information at balance sheet date. We refer to note 23 for the relevant assumptions.

RECOVERABILITY OF DEFERRED TAX ASSETS

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

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

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

A contract is classified as a lease if it includes the right to control the use of an identified asset for a specified period of time in exchange for a consideration. When determining the term of a lease, the Group took into account any possible extension options and whether or not to exercise an early termination option. This is assessed for each contract separately. As a general principle in making this assessment for the key lease assets, lease agreements for land and buildings (cinema complexes), Kinepolis Group has considered that a term between 15 and 20 years reflects the entity's reasonable expectation of the period during which the underlying asset will be used. The same term is also used in our valuation and impairment models to determine future cash flows. Moreover, the lease term is considered reasonably certain in view of the useful life of the leasehold improvements and the investments made. For more information we refer to note 27.

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

BASIS OF CONSOLIDATION

BUSINESS COMBINATIONS

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

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

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

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

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay a contingent consideration that meets the definition of a financial instrument 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 services provided before the business combination.

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 shareholders transaction and is recognised directly in equity. The non-controlling interests are adjusted on the basis of the proportional part in the equity of the subsidiary.

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

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

FOREIGN CURRENCY

TRANSACTIONS IN FOREIGN CURRENCIES

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

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

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

FINANCIAL STATEMENTS IN FOREIGN CURRENCIES

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

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

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

FINANCIAL INSTRUMENTS

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

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

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

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

NON-DERIVATIVE FINANCIAL INSTRUMENTS

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

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

Financial assets measured at amortised cost

Financial assets are measured at amortised cost when the business model aims to hold the financial assets to obtain the contractual cash flows. The contractual cash flows consist of the repayment of the principal amount (capital) and interest on the outstanding amount and on specific dates.

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

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

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

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

Financial assets measured at fair value through other comprehensive income

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

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

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

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

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

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

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

Financial assets measured at fair value through profit or loss

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

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

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

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

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

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

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

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

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

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

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

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

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

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

HEDGING

Cash flow hedges

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

At the initial recognition of a derivative financial instrument as a hedging instrument, the Group formally documents the relationship between hedging instrument(s) and hedged item(s), 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 position(s) and whether the actual results of each hedge are within the range of 80% to 125%. A cash flow hedge of an expected transaction requires that it is highly likely that the transaction will occur and that this transaction results in exposure to the variability of cash flows such that this can ultimately impact the reported profit or loss.

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

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

Fair value hedges

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

PROPERTY, PLANT AND EQUIPMENT

OWNED ASSETS

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

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

SUBSEQUENT EXPENDITURE

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

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

The estimated useful lives are as follows:

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

LEASES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

COVID-19 RELATED RENT CONCESSIONS

The IASB issued Covid-19 Related Rent Concessions (Amendment to IFRS 16) on 28 May 2020. This first amendment provides an optional practical expedient that permits lessees not to assess whether rent concessions, that occur as a direct consequence of the Covid-19 pandemic and meet specified conditions, are lease modifications and should therefore be processed via the balance sheet, and instead to account for those rent concessions as if they were not lease modifications and are therefore processed through the income statement.

As of 2020, the Group makes use of the practical expedient, and applies it retroactively to all rent concessions, that are a direct result of the Covid-19 pandemic, and that meet the following conditions:

- the change in lease payments results in revised consideration for the lease, which is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- the reduction in lease payments relates to payments originally due on or before 30 June 2021;
- no substantive changes have been made to other terms of the lease.

On 31 March 2021, Covid-19 Related Rent Concessions beyond 30 June 2021 was issued by the IASB. In this second amendment, the application period was extended by one year. This amendment is applicable as of 1 April 2021, but early application is permitted. The Group has made use of this early application. This second amendment modifies the second condition as follows:

- the reduction in lease payments relates to payments originally due on or before 30 June 2022.

If the rent concessions resulting directly from the Covid-19 pandemic meet the conditions, they are treated as if they were not lease modifications. The rent concessions are then processed in the same way as a negative variable lease payment, and are therefore included in the income statement within 'Other operating income', as part of Operating result. The rent concessions are recognised in the income statement in the period in which the event or condition, that causes the payment, occurs. For more information we refer to note 27.

LEASES AS LESSOR

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

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

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

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

INVESTMENT PROPERTY

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

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

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

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

INTANGIBLE ASSETS AND GOODWILL

GOODWILL

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

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

INTANGIBLE ASSETS

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

INTERNALLY GENERATED INTANGIBLE ASSETS

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

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

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

AMORTISATIONS
Amortisations are charged to the income statement by the straight-line method over the expected useful life of the intangible assets. Intangible assets are amortised from the date on which they are ready for their intended use. Their estimated useful life is 3 to 15 years. The residual value, useful lives and amortisation methods are reviewed annually.

INVENTORIES

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

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

IMPAIRMENT LOSSES

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

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

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

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

ASSETS CLASSIFIED AS HELD FOR SALE

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

EMPLOYEE BENEFITS

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

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

OTHER LONG-TERM EMPLOYEE BENEFITS
The Group has an obligation in France to pay a retirement premium to employees upon their retirement. This compensation is also accounted for as a defined benefit plan.

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

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

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

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

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

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

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

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

To hedge its liabilities within the framework of the allocation of stock options to its directors and executives, the Group buys back its treasury shares at the specific times those options are allocated. This can occur by means of several buybacks. These shares will be charged to equity on transaction date for the sum paid, including the related costs. When the options are exercised, treasury shares are derecognised by applying the FIFO-principle. 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.

REVENUE

SALES OF GOODS AND SERVICES

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

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

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

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

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

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

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

Grants received from the Centre National du Cinéma et de l'Image Animée
The Group receives grants in France from the CNC for cinema related investments. These grants come from a fund financed by contributions from cinema operators in the form of a percentage of ticket sales. The grants are recorded as liabilities as deferred revenue, and are taken into the income statement, within 'Other operating income', over the useful life of the related assets. The unwinding of receivables related to the grants is included under financial income.

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

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

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

Foreign exchange gains and losses are offset per currency.

EXPENSES

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

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

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

Interest charges are recognised based on the effective interest method.

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

Foreign exchange gains and losses are compensated per currency.

INCOME TAX EXPENSES

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

Current taxes consist of the expected tax payable on the taxable profit of the year, calculated using tax rates enacted or substantively enacted at the balance sheet date, as well as tax adjustments in respect of prior years. The amount of current income taxes is determined on the basis of the best estimate of the tax gain or expense, with due consideration for any uncertainty with regard to income tax.

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

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

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

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

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

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

SEGMENT REPORTING

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

DISCONTINUED OPERATIONS

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

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

NEW AND / OR AMENDMENTS TO STANDARDS AND INTERPRETATIONS ADOPTED BY THE GROUP

Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021, issued on 31 March 2021, extends the application period of the practical expedient in IFRS 16 by one year that permits lessees not to assess whether rent concessions, that occur as a direct consequence of the Covid-19 pandemic and meet specified conditions, are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications. The original amendment was issued on 28 May 2020 to make it easier for lessees to account for Covid-19-related rent concessions, while providing information about their leases.

The amendment is effective for annual reporting periods beginning on or after 1 April 2021, with early application permitted. The amendment is endorsed by the EU. The Group applies the amendment to IFRS 16 as of 1 January 2021. For more information we refer to note 27.

NEW AND / OR AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET ADOPTED BY THE GROUP

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended per 31 December 2021, and have not been applied in preparing these consolidated financial statements:

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

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

The amendments:

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

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

The IASB has published a new exposure draft on the topic on 19 November 2021.

Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual improvements to IFRS 2018-2020, issued on 14 May 2020, include several narrow-scope amendments which are changes that clarify the wording or correct minor oversights or conflicts between requirements in the Standards:

- **Amendments to IFRS 3 Business Combinations** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

- **Amendments to IAS 16 Property, Plant and Equipment** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets** specify which costs a company includes when assessing whether a contract will be loss-making. The amendments clarify that the costs of fulfilling a contract comprise both: the incremental costs; and an allocation of other direct costs.

- **Annual Improvements to IFRS Standards 2018–2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

The amendments are effective for annual periods beginning on or after 1 January 2022 with early application permitted. These amendments have been endorsed by the EU.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies, issued on 12 February 2021, include narrow-scope amendments to improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements. The amendments to IAS 1 require companies to disclose their *material* accounting policy information rather than their *significant* accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments are effective for annual periods beginning on or after 1 January 2023 with early application permitted. These amendments have not yet been endorsed by the EU.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates, issued on 12 February 2021, clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments are effective for annual periods beginning on or after 1 January 2023 with early application permitted. These amendments have not yet been endorsed by the EU.

Amendments to IAS 12 Income Taxes: Deferred Taxes related to Assets and Liabilities arising from a Single Transaction, issued on 6 May 2021, clarify how companies should account for deferred taxes on transactions such as leases and decommissioning obligations. IAS 12 Income Taxes specifies how a company accounts for income taxes, including deferred taxes. In specified circumstances, companies are exempt from recognising deferred taxes when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations, transactions for which companies recognise both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognise deferred taxes on such transactions.
The aim of the amendments is to reduce diversity in the reporting of deferred taxes on leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after 1 January 2023 with early application permitted. These amendments have not yet been endorsed by the EU.

2. Segment reporting

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

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

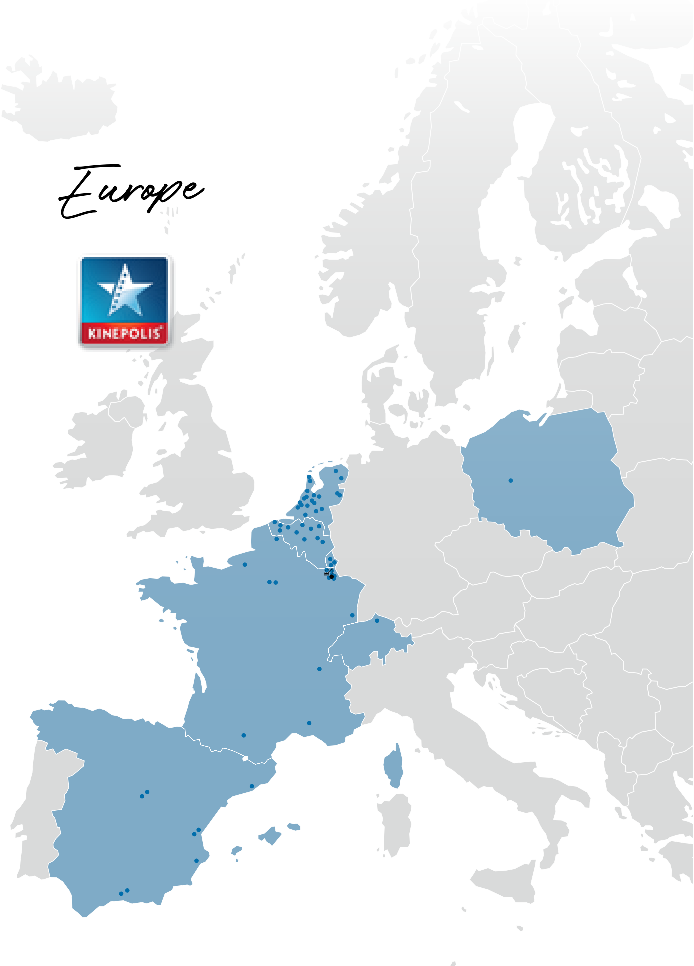
Financial income and expenses and income tax expenses and their related assets and liabilities (excluding Lease liabilities) are not monitored by segment by the Group's CEO and CFO.

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

GEOGRAPHIC SEGMENTS

The Group's activities are managed and monitored on a country basis. The main geographic markets are Belgium, France, Canada, Spain, the Netherlands, 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.

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 2021

INCOME STATEMENT

IN '000 €										2021
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	UNITED STATES	LUXEMBOURG	OTHERS (POLAND, SWITZERLAND)	NOT ALLOCATED	TOTAL
Segment revenue	84 344	38 699	52 835	26 253	32 366	28 773	8 555	2 557		274 382
Intersegment revenue	-7 959	-31						1		-7 989
Revenue	76 385	38 668	52 835	26 253	32 366	28 773	8 555	2 558		266 393
Cost of sales	-60 885	-34 002	-67 103	-25 767	-31 870	-31 510	-6 910	-1 976		-260 023
Gross result	**15 500**	**4 666**	**-14 268**	**486**	**496**	**-2 737**	**1 645**	**582**		**6 370**
Marketing and selling expenses	-7 825	-1 467	-1 924	-1 075	-956	-244	-720	-63		-14 274
Administrative expenses	-13 422	-1 143	-3 799	-705	-1 358	-1 478	-182	-283		-22 370
Other operating income	2 406	7 842	9 206	2 144	2 126		452	309		24 485
Other operating expenses	-137	-390	-51	-160	-1		-17			-756
Segment result	**-3 478**	**9 508**	**-10 836**	**690**	**307**	**-4 459**	**1 178**	**545**		**-6 545**
Financial income									851	851
Financial expenses									-29 213	-29 213
Result before tax										**-34 907**
Income tax expenses									9 401	9 401
RESULT FOR THE PERIOD										**-25 506**

BALANCE SHEET – ASSETS

IN '000 €										2021
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	UNITED STATES	LUXEMBOURG	OTHERS (POLAND, SWITZERLAND)	NOT ALLOCATED	TOTAL
Intangible assets	4 831	921	2 849	266	159	2 059	44			11 129
Goodwill	6 586	11 317	34 499	22 015	34 057	48 678	5 844	6 502		169 498
Property, plant and equipment	59 528	80 953	83 886	47 891	132 816	74 698	11 037	7 278		498 087
Right-of-use assets	6 892	25 958	212 822	38 488	17 544	46 813	4 803			353 320
Investment property			1 778	6 721				8 907		17 406
Deferred tax assets									23 812	23 812
Other receivables	9	5 130	428	794	-20		11			6 352
Other financial assets									27	27
Non-current assets	**77 846**	**124 279**	**336 262**	**116 175**	**184 556**	**172 248**	**21 739**	**22 687**	**23 839**	**1 079 631**
Inventories	1 895	434	1 018	470	621	391	116	35		4 980
Trade and other receivables	14 363	6 594	3 686	1 595	5 099	968	1 171	278		33 754
Current tax assets									1 418	1 418
Cash and cash equivalents									75 295	75 295
Current assets	**16 258**	**7 028**	**4 704**	**2 065**	**5 720**	**1 359**	**1 287**	**313**	**76 713**	**115 447**
SEGMENT ASSETS	**94 104**	**131 307**	**340 966**	**118 240**	**190 276**	**173 607**	**23 026**	**23 000**	**100 552**	**1 195 078**

BALANCE SHEET - EQUITY AND LIABILITIES

IN '000 €										2021
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	UNITED STATES	LUXEMBOURG	OTHERS (POLAND, SWITZERLAND)	NOT ALLOCATED	TOTAL
Share capital and share premium									20 106	20 106
Consolidated reserves									100 676	100 676
Translation reserve									-54	-54
Equity attributable to the owners of the Company									120 728	120 728
Non-controlling interests									-79	-79
Total equity									120 649	120 649
Loans and borrowings									478 494	478 494
Lease liabilities	4 603	24 568	219 635	36 224	18 697	46 085	4 459			354 271
Provisions for employee benefits	764	727								1 491
Provisions	1 484	153	304							1 941
Deferred tax liabilities									12 158	12 158
Derivative financial instruments									28	28
Other payables	111	5 110	3	117	55					5 396
Non-current liabilities	6 962	30 558	219 942	36 341	18 752	46 085	4 459		490 680	853 779
Bank overdrafts									12	12
Loans and borrowings									71 557	71 557
Lease liabilities	2 204	2 347	19 640	3 717	4 341	3 540	507			36 296
Trade and other payables	44 156	19 856	21 592	7 694	7 616	7 185	2 897	547		111 543
Provisions					358					358
Current tax liabilities									884	884
Current liabilities	46 360	22 203	41 232	11 411	12 315	10 725	3 404	547	72 453	220 650
SEGMENT EQUITY AND LIABILITIES	**53 322**	**52 761**	**261 174**	**47 752**	**31 067**	**56 810**	**7 863**	**547**	**683 782**	**1 195 078**

CAPITAL EXPENDITURE

IN '000 €										2021
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	UNITED STATES	LUXEMBOURG	OTHERS (POLAND, SWITZERLAND)	NOT ALLOCATED	TOTAL
CAPITAL EXPENDITURE	**2 505**	**8 301**	**1 969**	**260**	**2 832**	**340**	**836**	**12**		**17 055**

NON-CASH ELEMENTS

IN '000 €										2021
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	UNITED STATES	LUXEMBOURG	OTHERS (POLAND, SWITZERLAND)	NOT ALLOCATED	TOTAL
Depreciations, amortisations, impairments and provisions	12 119	9 697	27 365	7 219	11 456	9 190	1 664	502		79 212
Others	293									293
TOTAL	**12 412**	**9 697**	**27 365**	**7 219**	**11 456**	**9 190**	**1 664**	**502**		**79 505**

Segment reporting

at 31 December 2020

INCOME STATEMENT

IN '000 €										2020
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	UNITED STATES	LUXEMBOURG	OTHERS (POLAND, SWITZERLAND)	NOT ALLOCATED	TOTAL
Segment revenue	33 148	24 743	33 664	16 402	28 173	12 473	6 173	2 175		156 951
Intersegment revenue	19 368	-26						-11		19 331
Revenue	52 516	24 717	33 664	16 402	28 173	12 473	6 173	2 164		176 282
Cost of sales	-50 580	-30 907	-56 928	-21 496	-28 187	-23 337	-6 157	-2 047		-219 639
Gross result	**1 936**	**-6 190**	**-23 264**	**-5 094**	**-14**	**-10 864**	**16**	**117**		**-43 357**
Marketing and selling expenses	-8 035	-1 748	-4 572	-1 086	-899	-207	-696	-71		-17 314
Administrative expenses	-13 835	-1 362	-1 374	-867	-1 148	-1 170	-222	-256		-20 234
Other operating income	1 299	4 822	5 673	1 776	1 581	74	26	285		15 536
Other operating expenses	-152	-44	-29	-5	-64					-294
Segment result	**-18 787**	**-4 522**	**-23 566**	**-5 276**	**-544**	**-12 167**	**-876**	**75**		**-65 663**
Financial income									1 552	1 552
Financial expenses									-27 604	-27 604
Result before tax										**-91 715**
Income tax expenses									22 604	22 604
RESULT FOR THE PERIOD										**-69 111**

BALANCE SHEET – ASSETS

IN '000 €										2020
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	UNITED STATES	LUXEMBOURG	OTHERS (POLAND, SWITZERLAND)	NOT ALLOCATED	TOTAL
Intangible assets	5 564	881	2 624	295	173	2 107	29			11 673
Goodwill	6 586	11 317	31 985	22 015	34 057	44 842	5 844	6 502		163 148
Property, plant and equipment	66 763	81 394	88 433	52 504	138 782	74 558	11 631	7 071		521 136
Right-of-use assets	8 294	27 441	209 941	41 046	24 557	45 918	5 284			362 481
Investment property			1 648	6 721				9 188		17 557
Deferred tax assets									14 778	14 778
Other receivables	9	4 964	491	866	-20		11			6 321
Other financial assets									27	27
Non-current assets	**87 216**	**125 997**	**335 122**	**123 447**	**197 549**	**167 425**	**22 799**	**22 761**	**14 805**	**1 097 121**
Inventories	1 905	299	446	380	472	243	84	36		3 865
Trade and other receivables	11 128	6 343	2 469	1 664	3 534	663	809	146		26 756
Current tax assets									7 431	7 431
Cash and cash equivalents									33 007	33 007
Current assets	**13 033**	**6 642**	**2 915**	**2 044**	**4 006**	**906**	**893**	**182**	**40 438**	**71 059**
SEGMENT ASSETS	**100 249**	**132 639**	**338 037**	**125 491**	**201 555**	**168 331**	**23 692**	**22 943**	**55 243**	**1 168 180**

BALANCE SHEET – EQUITY AND LIABILITIES

IN '000 €										2020
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	UNITED STATES	LUXEMBOURG	OTHERS (POLAND, SWITZERLAND)	NOT ALLOCATED	TOTAL
Share capital and share premium									20 106	20 106
Consolidated reserves									123 640	123 640
Translation reserve									-17 254	-17 254
Equity attributable to the owners of the Company									126 492	126 492
Non-controlling interests									4	4
Total equity									126 496	126 496
Loans and borrowings									469 882	469 882
Lease liabilities	5 760	25 635	213 622	38 428	25 592	44 597	4 683			358 317
Provisions for employee benefits	998									998
Provisions	1 602	139	280							2 021
Deferred tax liabilities									13 107	13 107
Derivative financial instruments									87	87
Other payables	141	5 946	2	193	74					6 356
Non-current liabilities	8 501	31 720	213 904	38 621	25 666	44 597	4 683		483 076	850 768
Bank overdrafts									112	112
Loans and borrowings									76 599	76 599
Lease liabilities	2 428	2 487	18 692	3 838	4 255	3 074	521			35 295
Trade and other payables	32 099	12 851	15 446	3 373	8 880	3 771	1 608	307		78 335
Provisions	42	198			29					269
Current tax liabilities									306	306
Current liabilities	34 569	15 536	34 138	7 211	13 164	6 845	2 129	307	77 017	190 916
SEGMENT EQUITY AND LIABILITIES	**43 070**	**47 256**	**248 042**	**45 832**	**38 830**	**51 442**	**6 812**	**307**	**686 589**	**1 168 180**

CAPITAL EXPENDITURE

IN '000 €										2020
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	UNITED STATES	LUXEMBOURG	OTHERS (POLAND, SWITZERLAND)	NOT ALLOCATED	TOTAL
CAPITAL EXPENDITURE	**4 459**	**5 216**	**11 965**	**1 521**	**20 326**	**1 214**	**491**	**28**		**45 220**

NON-CASH ELEMENTS

IN '000 €										2020
	BELGIUM	FRANCE	CANADA	SPAIN	THE NETHERLANDS	UNITED STATES	LUXEMBOURG	OTHERS (POLAND, SWITZERLAND)	NOT ALLOCATED	TOTAL
Depreciations, amortisations, impairments and provisions	14 643	11 710	24 642	8 536	10 501	9 764	2 229	826		82 851
Others	469									469
TOTAL	**15 112**	**11 710**	**24 642**	**8 536**	**10 501**	**9 764**	**2 229**	**826**		**83 320**

3. Revenue

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

IN '000 €	2020	2021
Box Office	91 347	142 882
In-theatre Sales	45 923	81 965
Business-to-Business	22 930	24 010
Brightfish	3 123	6 354
Film distribution	2 049	2 094
Technical department	14	53
TOTAL IFRS 15	165 386	257 358
Real estate	10 896	9 035
TOTAL	**176 282**	**266 393**

Revenue from ticket sales (Box Office, BO) increased by 56.4%, to € 142.9 million. BO revenue per visitor increased by 9.7%. This increase was seen in all countries, thanks in part to the product mix, the success of premium cinema experiences and inflation-compensating price increases.

Revenue from the sale of drinks and snacks (In-theatre Sales, ITS) increased by 78.5%, to € 82.0 million. ITS revenue per visitor rose by 20.7% (excluding home delivery revenue), driven by an increase in ITS revenue per visitor in almost all countries. We had more visitors in the shops and they also bought more products. Only in Luxembourg and Switzerland ITS revenue per visitor decreased due to the ban on the sale of drinks and snacks for a number of months.

B2B revenue increased by 4.7%. Although there was an increase in income from events, growth was limited by the arrival of the fourth corona wave in the fourth quarter. Screen advertising also showed a strong increase. The increase in the number of events as well as the increase in screen advertising were negatively offset in total B2B turnover by fewer vouchers being sold as a result of the pandemic.

Real estate income decreased by 17.1% due to the loss of variable rental income, rent concessions and a decrease in parking income.

The turnover of Brightfish, the Belgian screen advertising management agency, rose by 103.5% thanks to more screen advertising and more events, and Kinepolis Film Distribution (KFD) saw its income rise by 2.2%.

Revenue from Box Office and In-theatre Sales (which together represented 84.4% of total revenue) are directly linked to the evolution of the visitors. These in turn depend on the number of films produced, their success with the customer and external factors, such as competitive activities, weather conditions and exceptional events such as the Covid-19 pandemic. Consequently, the number of visitors, and therefore the turnover, can be very volatile. For more information regarding the risks involved, we refer to 'Description of the main business risks' in the 'Corporate Governance Statement' section.

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

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

The results for film distribution depend on the number and success of the Flemish productions of which 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).

4. Other operating income and expenses

OTHER OPERATING INCOME

IN '000 €	2020	2021
Government grants	951	1 409
Government grants and support measures due to the Covid-19 pandemic	6 677	10 337
Rent concessions due to the Covid-19 pandemic	7 540	11 750
Capital gains on disposal of property, plant and equipment	109	461
Other grants – not Covid-19 related	41	220
Others	218	308
TOTAL	**15 536**	**24 485**

GOVERNMENT GRANTS

In France, the Group receives grants from the Centre National du Cinéma et de l'image Animée (CNC) for cinema related investments. These grants come from a fund financed by a contribution from cinema operators in the form of a percentage of ticket sales. The grants are recorded as liabilities on the balance sheet, and are taken into the result over the useful life of the related assets, at € 1.4 million in 2021 (2020: € 1.0 million).

GOVERNMENT GRANTS AND SUPPORT MEASURES AS A RESULT OF THE COVID-19 PANDEMIC

As a result of the outbreak of the Covid-19 pandemic, governments in the various countries where Kinepolis operates, and the CNC in France have decided to provide support measures. The Group obtained non-directly attributable or general grants for € 10.3 million in this regard (FR: € 6.1 million, BE: € 1.7 million, ES: € 1.0 million, NL: € 0.9 million, LUX: € 0.4 million and CH: € 0.3 million). Throughout 2020 the Group obtained € 6.7 million (FR: € 3.5 million, NL: € 1.5 million, BE: € 1.1 million, ES: € 0.3 million and CH: € 0.3 million). For more information and a detailed breakdown we refer to note 30.

RENT CONCESSIONS AS A RESULT OF THE COVID-19 PANDEMIC

In addition, the Group obtained € 11.8 million rent concessions in 2021 (2020: € 7.5 million) as a direct result of the Covid-19 pandemic. Most of this relates to the lease of land and buildings in Canada (2021: € 8.7 million – 2020: € 5.7 million). The rent concessions obtained are only included in 'Other operating income' if the conditions of Covid-19-related rent concessions (amendments to IFRS 16) are met. For more information we refer to note 27.

CAPITAL GAINS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Kinepolis decided to close six Canadian cinemas in 2021, each with only one or two screens, as the maintenance investments required were disproportionate to the contribution of these cinemas to the turnover development of the Group. Specifically, it concerns two leased Landmark cinemas, Dawson Creek (BC) and Airdrie (Alberta), and four owned Landmark cinemas, namely Yorkton (Saskatchewan), Selkirk (Manitoba) and the two cinemas located in the Yukon province.

Property, plant and equipment related to these complexes, both land and buildings and machinery and equipment, were impaired to fair value (less costs to sell) if these were lower than the remaining carrying amount. An impairment loss amounting to € 1.2 million was recorded. For more information we refer to note 11.

With regard to the owned complexes, the assets included in land and buildings were subsequently transferred from Property, plant and equipment to Assets held for sale for an amount of € 1.1 million. The owned cinemas were all sold at the end of the summer. A capital gain of € 0.5 million was realised on the sale of these Canadian cinemas. For more information we refer to note 17.

OTHER OPERATING EXPENSES

IN '000 €	2020	2021
Losses on disposal of property, plant and equipment	-84	-3
Losses on disposal of trade receivables	-141	-662
Others	-69	-91
TOTAL	**-294**	**-756**

The movement of the losses on disposal of trade receivables is related to the settlement of outstanding receivables with regard to leased concessions due to the closure of the complexes as a result of the Covid-19 pandemic.

5. Employee benefit expenses and other social benefits

IN '000 €	2020	2021
Wages and salaries	-33 634	-42 934
Mandatory social security contributions	-7 807	-7 772
Employer contributions to employee insurances	-1 034	-1 102
Share-based payments	-469	-293
Other employee benefit expenses	-1 645	-1 639
TOTAL	**-44 589**	**-53 740**
Total full-time equivalents at the balance sheet date	1 215	1 962

The increase in employee benefit expenses is mainly attributable to the partial resumption of activities in 2021 as a consequence of the Covid-19 pandemic. One of the measures that Kinepolis has taken at the start of the pandemic to arm itself against the consequences is to scale down its temporary and permanent staff. With regard to the employees of the complexes in view of the mandatory closure and capacity restrictions, as well as the employees of the support services, by limiting those to only the strictly necessary services. The increase in employee benefit expenses compared to 2020 is explained by the fact that scaling down was more important during 2020.

The Group was also able to make use of the system of economic unemployment in Belgium and Spain, as well as the system of wage subsidies in France, the Netherlands, Luxembourg, Canada and Switzerland. In the economic unemployment system, the wage cost does not have to be paid by the Company, but is paid directly to the employee by the government. By contrast, the wage cost is first paid by the Company in the wage subsidy system, and can subsequently be reclaimed from the government in whole or in part.

The Group received € 10.6 million (2020: € 12.6 million) in wage subsidies. Grants obtained as compensation for directly attributable costs, such as employee benefit expenses, are taken directly in the income statement, deducted from the related costs. In the other countries, the system of economic unemployment was applied, with the wage costs borne, in part or otherwise, directly by the government.

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

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

For more information regarding employee benefits we refer to note 22.

6. Additional information on operating expenses by nature

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

IN '000 €	2020	2021
Purchases	-58 194	-91 709
Services and other goods	-39 943	-43 934
Employee benefit expenses and other social benefits	-32 077	-38 995
Depreciations and amortisations	-76 560	-78 212
Provisions and impairments	-2 311	1 640
Others	-10 554	-8 813
COST OF SALES	**-219 639**	**-260 023**

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

IN '000 €	2020	2021
Services and other goods	-10 814	-8 806
Employee benefit expenses and other social benefits	-4 606	-4 599
Depreciations and amortisations	-1 791	-1 039
Provisions and impairments	-96	177
Others	-7	-7
MARKETING AND SELLING EXPENSES	**-17 314**	**-14 274**

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

IN '000 €	2020	2021
Services and other goods	-10 197	-10 406
Employee benefit expenses and other social benefits	-7 907	-10 146
Depreciations and amortisations	-2 107	-1 780
Provisions and impairments	15	3
Others	-38	-41
ADMINISTRATIVE EXPENSES	**-20 234**	**-22 370**

The overall increase in operating expenses is mainly the result of the increased activity in 2021 compared to 2020. In both 2021 and 2020, the Group focused on strong cost control to mitigate the impact of the Covid-19 pandemic. There was a (partial) resumption of activities in 2021, resulting in an increase of the operating expenses.

In total, the operating expenses increased with 15.4%, compared to an increase of 51.1% in revenue. The decrease in marketing and selling expenses can mainly be explained by less exchange deals, due to the Covid-19 pandemic, and a decrease in depreciations and amortisations.

7. Financial income and expenses

FINANCIAL INCOME

IN '000 €	2020	2021
Interest income	5	
Foreign exchange gains	781	347
Unwinding of non-current government grants receivable	297	209
Others	469	295
TOTAL	**1 552**	**851**

The foreign exchange gains mainly relate to the fluctuations of the American Dollar against the Euro in 2021 (2020: fluctuations of the Canadian Dollar and the Polish Złoty against the Euro).

FINANCIAL EXPENSES

IN '000 €	2020	2021
Interest expenses	-14 674	-15 452
Interest expenses on lease liabilities	-10 248	-10 323
Foreign exchange losses	-394	-227
Others	-2 288	-3 211
TOTAL	**-27 604**	**-29 213**

The increase in interest expenses is mainly due to the interests on the new loan of € 80.0 million concluded at the beginning of January 2021, partly offset by the fact that less use was made of the roll-over credit in 2021 and less credit interests.

The interest expenses attributed to lease liabilities amounted to € 10.3 million (2020: € 10.2 million). For more information we refer to note 27.

The exchange rate losses mainly relate to the fluctuations of the Swiss Franc against the Euro in 2021 (2020: fluctuations of the Canadian Dollar against the Euro).

In 2021, the capitalisation of interest costs related to construction projects amounted to € 0.2 million (2020: € 0.2 million). As the Group applies a general financing policy, a weighted average interest rate of 2.62% (2020: 2.70%) was applied to the capitalisation of the interest costs of construction projects.

The costs related to refinancing are included in the result via the effective interest method, and are part of the other financial expenses. For more information we refer to notes 21 and 26. The impact on the income statement per refinancing round can be found in the table below:

IN '000 €	TOTAL COST	RECOGNISED IN INCOME STATEMENT IN 2020	RECOGNISED IN INCOME STATEMENT IN 2021	OUTSTANDING POSITION PER 31 DECEMBER 2021
Refinancing 2012	1 096	-14	-14	41
Refinancing 2015	1 663	-186	-186	243
Refinancing 2016	45	-3	-3	8
Refinancing 2017	450	-50	-50	246
Refinancing 2019	1 708	-259	-259	1 103
Refinancing 2021	449		-108	342
TOTAL	**5 411**	**-513**	**-619**	**1 984**

The remaining other financial expenses in 2021 and 2020 mainly relate to bank charges. The bank charges are partly volume-related, with the result that this increase is partly explained by the increase in the number of visitors.

8. Income tax expenses

IN '000 €	2020	2021
Current tax expenses	2 383	-1 552
Deferred tax expenses	20 220	10 953
TOTAL	**22 604**	**9 401**

Total income taxes in 2021 and 2020 concern an income, due to the possibility to compensate the negative result before tax with profits from other periods. The effective tax rate was 26.93% in 2021 (2020: 24.64%). The increase of the effective tax rate is mainly due to an increase of the grants, obtained due to the Covid-19 pandemic, which are exempted from tax. In addition, there are fewer losses for which no deferred tax asset was recognised in 2021, as well as a reversal of provisions from prior periods. The tax rate in France decreased to 26.50% in 2021 (2020: 28.00%). Due to the Group's negative result before tax, the above movements caused the effective tax rate to increase in 2021.

Part of the tax losses in 2020 were offset by the profits of 2019 in Belgium and Canada, the so-called 'carry back' option. Through the application of this option in 2020, (part of) the loss for the period resulted in a positive current income tax in the income statement, instead of a deferred tax. On the balance sheet, the 'carry back' in 2020 resulted in a current tax asset instead of a deferred tax asset. The 'carry back' was not used in 2021. We refer to notes 13 and 25 for more information.

EFFECTIVE TAX RATE RECONCILIATION

IN '000 €	2020	2021
Result before tax	-91 715	-34 907
Belgian tax rate	25.00%	25.00%
Income taxes using the local tax rate	22 929	8 727
Effect of tax rates in foreign jurisdictions	-117	27
Disallowed expenses	-407	-327
Tax-exempt grants	609	847
Tax-exempt income	86	60
Impairment on treasury shares	-203	
Losses for which no deferred tax asset is recognised	-346	-26
Use of unrecognised losses and tax losses for which no deferred tax asset was recognised	44	8
Under / (over) provision in prior periods	20	147
Change in law and tax rate in the Netherlands	-128	-20
Change in average tax rate in Canada		-26
Other adjustments	117	-16
TOTAL INCOME TAX EXPENSES	**22 604**	**9 401**
Effective tax rate	24.64%	26.93%

The 'Change in law and tax rate in the Netherlands' was applicable for the first time in 2018 and concerned the future reduction of the income tax rate from 25.00% to 22.55% in 2020, and to 20.50% from 2021. The change in the income tax rate from 2021 was adjusted to 21.70% in 2019, instead of 20.50%. There was another change in legislation in 2020, as a result of which the previous decisions will no longer be applied and the income tax rate will remain at 25.00%, both in 2020 and in future years. In 2021 it was decided that the income tax rate will be adjusted to 25.80% as of 2022.

The 'Change in average tax rate in Canada' includes the change in the average income tax rate from 25.50% to 25.20%. The average income tax rate is determined by a weighted average of the tax rates per province. As a result, there may be a limited change in Canada's average income tax rate every year.

9. Intangible assets

IN '000 €	PATENTS AND LICENSES	OTHERS	INTERNALLY GENERATED INTANGIBLE ASSETS	TOTAL
Acquisition value	19 374	6 262	4 233	29 869
Amortisations and impairment losses	-13 123	-1 092	-2 667	-16 882
NET CARRYING AMOUNT AT 31/12/2019	**6 252**	**5 170**	**1 565**	**12 987**
Acquisitions	1 526		322	1 848
Sales and disposals	-63	-19		-82
Transfer to other categories	29			29
Amortisations	-2 146	-169	-594	-2 909
Others		185		185
Effect of exchange rate fluctuations	-70	-316		-386
Acquisition value	20 465	6 102	4 822	31 389
Amortisations and impairment losses	-14 937	-1 251	-3 528	-19 716
NET CARRYING AMOUNT AT 31/12/2020	**5 528**	**4 851**	**1 294**	**11 673**
Acquisitions	1 463		185	1 648
Transfer to other categories	53	2		55
Amortisations	-1 985	-155	-500	-2 640
Effect of exchange rate fluctuations	55	338		393
Acquisition value	22 083	6 457	5 007	33 547
Amortisations and impairment losses	-16 969	-1 421	-4 028	-22 418
NET CARRYING AMOUNT AT 31/12/2021	**5 114**	**5 036**	**979**	**11 129**

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

The 'Other' category includes the trade name 'Landmark Cinemas', which amounts to € 2.8 million (2020: € 2.6 million). The trade name has an indefinite useful life. The increase can be explained by the exchange rate fluctuation of the Canadian Dollar. The trade name was retained with the acquisition of Landmark Cinemas in 2017, as this is the second largest cinema group in Canada. Further organic growth on the Canadian market and the marketing of the existing cinemas will be carried out under the name 'Landmark Cinemas'.

In addition, this category also contains the trade name 'MJR Digital Cinemas' for € 1.4 million (2020: € 1.4 million) with a definite useful life.

The acquisitions amount to € 1.6 million in 2021 (2020: € 1.8 million) and mainly concern investments in various software used by the Group, such as modifications to the ticketing system software and the back office software, as well as investments in IT infrastructure. These consist of the internal hours worked for € 0.2 million and purchases from third parties for € 1.5 million.

10. Non-financial assets and business combinations

IMPAIRMENT TEST

As a result of the global outbreak of the Corona virus, there were alternating periods of closure and opening of cinemas in 2021 and 2020, often with restrictions, with this differing from country to country. Due to the closure of almost all cinemas until the end of May / beginning of June 2021, the majority of the Group's turnover was lost for several months. Even after reopening, there were still measures in place in most countries with regard to capacity restrictions, distancing rules and access restrictions, such as having a Covid passport. In December 2021, the cinemas had to close again in Belgium and the Netherlands. This has a serious impact on the Group's financial results in 2021.

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

The cinema sector was also indirectly affected when the Hollywood film studios were facing a significant limitation of their distribution capacity for their blockbusters, especially in the first half of 2021, as cinemas remained closed in many countries. As a result, the (theatrical) releases of almost all blockbusters were postponed to the second half of 2021, and even to 2022. Under 'normal' circumstances, Kinepolis Group realises 80% of its ticket sales from blockbusters. This had a more significant impact on the visitor numbers of those cinemas that were open in the first half of the year.

However, the willingness of customers to go to the cinema remains high. A big difference compared to last year was the fact that, unlike in 2020, the blockbusters were launched in cinemas in the second half of the year, partly thanks to the reopening of cinemas on the North American continent in the first semester. Successful releases such as 'No Time to Die' (James Bond) and 'Spider-Man: No Way Home' showed that customers would massively come back for good, high-quality content, despite the continuous obstacles and impact of the Covid pandemic.

Kinepolis currently sees no reason to expect the business model to be affected in the longer term, this also thanks to all the measures taken, and consequently still considers the impact of the Covid-19 pandemic to be a short-term impact that does not change the underlying parameters of its business model.

At the end of 2021, as in every year, a review was performed to identify any indications of a possible impairment of non-financial assets. As in every year, the economic situation, the expected evolution of visitor numbers, EBITDA, the free cash flow and the components that determine the Group's weighted average cost of capital, i.e. the risk-free interest rate, the market risk premium and the cost of debt, were taken into account in this regard.

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. With respect to the carrying amount of intangible assets with indefinite useful life allocated to the cash-generating unit 'Canada', we refer to note 9.

Each year, the data from the budget for the next year is taken as the basis for the next 20 years for all cash-generating units. Due to the Covid-19 pandemic, however, a special budget was implemented in 2021, namely an 'Entrepreneurship 2022' plan, aimed at protecting the Group against any negative impacts after the Covid-19 crisis and a possible slower recovery of visitor numbers from 2022 onwards. This 'Entrepreneurship 2022' plan should ensure that, through a combination of turnover, margin and cost measures, the break-even level of the Group decreases substantially, so that an equal or higher profit can be achieved with a lower number of visitors. This budget was taken as the basis for the impairment test, and has the following characteristics:

- The visitor figures, which are the most important driver, are normally based on the budget for the following year that assumes a fictitious low number of visitors (-5% visitors compared to the previous year). In principle, this exercise is carried out annually, with the aim of making the Company look for measures to increase profitability, and thereby lower the break-even point. The Company does not assume that visitor numbers will decrease by 5% but, by working with this visitor evolution, the operational entities of the Group are forced to think about how they can increase the contribution per visitor and the total, in order to compensate for the difference in visitors. For this year's calculation, -5% visitors was calculated on the 2020 budget drawn up before corona, which already assumed -5% visitors, thereby taking into account an extra low visitor number of more than 10% lower than the annualised run rate of 2019. By also using this budget in the impairment tests, a prudent budget is therefore assumed.

For the United States, it was additionally assumed that only 70% of the budgeted visitor numbers would be achieved in 2022, with 95% in 2023 and 100% in 2024. This is due to the fact that MJR Digital Cinemas in the United States was not acquired until the end of 2019 and, in addition, the integration into the Group was also delayed due to the Covid-19 pandemic. The roll-out of the Kinepolis concepts and the positive financial impact will therefore only take place in full from 2022.

- All the other drivers are also based on the budget for the coming year, including all the improvements and optimisations included in the 'Entrepreneurship 2022' plan which, in addition to the lowering of the break-even level to compensate for a loss of 5% of visitors, has an additional objective of achieving 20% savings on general overhead and personnel costs. In addition, this budget also contains measures to compensate for a possible permanent loss of B2B income, screen advertising or real estate income. The improvements and optimisations will be realised by, among other things, improvements in the product mix and the launch of new products, more efficient staff planning, the impact of negotiating contracts with suppliers and so on. For the United States, improved KPIs through the implementation of Kinepolis concepts will also be taken into account from 2023. This deviation is explained by the fact that the impact of the implementation of the Kinepolis concepts and the full impact of the integration has not yet been fully reflected in the 'Entrepreneurship 2022' plan for the United States, as a result of which the EBITDA contribution in the coming years was underestimated in the 'Entrepreneurship 2022' plan.
- The EBITDA grows by 1% annually, and is applied to all countries and for each cash-generating unit. This is only intended to compensate for inflation, with the EBITDA margin remaining constant. The 1% is a conservative approach, as it is less than the long-term inflation expectation and historical evolution.
- The assumptions regarding replacement investments are based on historical ratios, adjusted for changes in the life and replacement cycle of the underlying equipment and are differentiated depending on whether they refer to buildings that are owned or leased. The amounts are determined on the basis of the group guidelines, which must be followed by all countries. These amounts are increased annually by 1% for all countries.

As in previous years, the impact of the implementation of IFRS 16 was taken into account for the tests at the end of 2021, which is further explained below in the various components of the impairment test.

As a result of the impairment tests that were performed, no impairment was identified. For the United States a limited headroom was identified. A more prudent approach, compared to the other cash-generating units, was assumed for 2022 regarding visitor numbers in order to evolve to 100% of the budgeted visitor number only in 2024. The test result for the United States is positive for an amount of USD 18.3 million.

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

The cash flows of the Group are generated per country:

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

The value in use was taken into consideration when carrying out the impairment tests. The value in use was determined for all cash-generating units by discounting the future cash flows calculated over the period from 2022 to 2041, based on the 2022 budget. However, due to the impact of IFRS 16, which applies as of 2019, the definition of future cash flows has been changed, and the starting point for determining future cash flows has been EBITDA which, due to the impact of the implementation of IFRS 16, no longer includes lease payments for leased complexes, among other things. This increases the value in use of the tested assets. To compensate for this, the lease liability arising from these payments under IFRS 16 was deducted from the value in use in the impairment calculations. The future cash flows are calculated over a period of 20 years, as the Group owns a large part of its real estate and is therefore assured of long-term exploitation. The calculation of the lease liability must be based on the remaining lease term, including any extensions. In the case of the calculation of the lease liability starting from a term different to the assumed 20 years, the calculation of the lease liability was adjusted to 20 years.

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

A terminal value after 20 years is not taken into account, in exchange for this, the net book value of the country is not included in the test.

The projections are performed in the functional currency of the relevant country and discounted at the proposed weighted average cost of capital of the countries. The implementation of IFRS 16 required a more diversified approach to the proposed weighted average cost of capital at country level as, from 2019, the debt will also include the lease liabilities of the country, and future cash flows will be discounted at the weighted average cost of capital, while right-of-use assets are calculated on the basis of a discount rate. In order to align this, the country-specific debt / equity ratio was taken into account when calculating the weighted average cost of capital at country level, with the debt capital also including the lease liability of the country. The proposed weighted average cost of capital is 7.13% for Belgium, 6.83% for France, 4.94% for Canada, 6.43% for Spain, 6.88% for the Netherlands, 6.38% for the United States, 6.89% for Luxembourg, 7.28% for Switzerland and 7.77% for Poland (2020: 6.34% for Belgium, 6.06% for France, 3.98% for Canada, 5.37% for Spain, 6.00% for the Netherlands, 5.37% for the United States, 6.35% for Luxembourg, 6.53% for Switzerland and 6.80% for Poland) and was determined on the basis of the following theoretical parameters:

	2020						2021					
	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	0.75%	6.88%	1.13	2.70%	8.50%	33.37%	0.80%	6.84%	1.19	2.62%	8.95%	26.06%
France	0.75%	6.88%	1.13	2.70%	8.50%	37.50%	0.80%	6.84%	1.19	2.62%	8.95%	30.20%
Canada	0.75%	6.88%	1.13	2.70%	8.50%	69.57%	1.35%	6.84%	1.19	2.62%	9.51%	60.46%
Spain	0.75%	6.88%	1.13	2.70%	8.50%	48.32%	0.80%	6.84%	1.19	2.62%	8.95%	36.10%
The Netherlands	0.75%	6.88%	1.13	2.70%	8.50%	38.60%	0.80%	6.84%	1.19	2.62%	8.95%	29.75%
United States	0.80%	6.88%	1.13	2.70%	8.55%	48.62%	1.42%	6.84%	1.19	2.62%	9.58%	41.89%
Luxembourg	0.75%	6.88%	1.13	2.70%	8.50%	33.27%	0.80%	6.84%	1.19	2.62%	8.95%	29.50%
Switzerland	0.75%	6.88%	1.13	2.70%	8.50%	31.82%	0.80%	6.84%	1.19	2.62%	8.95%	25.04%
Poland	1.20%	6.88%	1.13	2.70%	8.95%	31.82%	1.50%	6.84%	1.19	2.62%	9.66%	25.04%

(1) Before tax.

The debt to equity ratio is differentiated by country due to the impact of lease liabilities under IFRS 16 at country level. Equity is based on the enterprise value of the Company, and not on the consolidated equity. The parameters for the weighted average cost of the capital are tested annually on the basis of the assumptions used by the analysts who follow the Group's share, while also taking into account the specific circumstances of each country. The market risk premium and the beta were based on the average used by the analysts. The risk-free interest rate was also based on the analysts' average except when the country's risk-free interest rate was higher, as in Poland, Canada and the United States. In this way, the calculation of the weighted average cost of capital was aligned to a significant extent with the analysts' calculation and an extra margin was also added.

The weighted average cost of capital before tax is 7.30% for Belgium, 7.04% for France, 5.34% for Canada, 6.67% for Spain, 7.07% for the Netherlands, 6.66% for the United States, 7.09% for Luxembourg, 7.37% for Switzerland and 7.90% for Poland (2020: 6.56% for Belgium, 6.32% for France, 4.46% for Canada, 5.70% for Spain, 6.26% for the Netherlands, 5.70% for the United States, 6.57% for Luxembourg, 6.65% for Switzerland and 6.96% for Poland). These percentages before taxes do not deviate substantially from the iterative calculation.

Management believes that the assumptions used in the impairment tests provide the best estimates of future developments, and believes that no reasonably possible change in any of the key assumptions would lead to a carrying amount of the cash-generating units that would materially exceed their recoverable amount, with the exception of the United States where there is a limited headroom between both.

As every year, a sensitivity analysis was performed with regard to the weighted average cost of capital. We conclude from this that with an increase of 1.5% in the weighted average cost of capital in all countries, no impairment occurs in any country except the United States. The increase in the weighted average cost of capital from 6.38% to 7.88% gives rise to a possible impairment of USD 3.5 million in the United States. If the weighted average cost of capital increased by 2% in all countries, there will be no impairment in any country other than the United States.

GOODWILL

IN '000 €	2020	2021
BALANCE AT END OF PREVIOUS PERIOD	169 374	163 148
Acquisitions through business combinations	87	
Effect of exchange rate fluctuations	-6 313	6 350
BALANCE AT END OF CURRENT PERIOD	**163 148**	**169 498**

GOODWILL PER CASH-GENERATING UNIT

IN '000 €	2020	2021
Belgium	6 586	6 586
France	11 317	11 317
Canada	31 985	34 499
Spain	22 015	22 015
The Netherlands	34 057	34 057
United States	44 842	48 678
Luxembourg	5 844	5 844
Poland	6 502	6 502
BALANCE AT END OF CURRENT PERIOD	**163 148**	**169 498**

BUSINESS COMBINATIONS

ACQUISITIONS

There were no new business combinations during 2021 and 2020. The acquisition through business combination in 2020 (€ 0.1 million) refers to a final settlement of the acquisition of Arcaplex (NL) in 2019.

11. Property, plant and equipment

IN '000 €	LAND AND BUILDINGS	PLANT, MACHINERY AND EQUIPMENT	ASSETS UNDER CONSTRUCTION	TOTAL
Acquisition value	730 606	394 979	6 284	1 131 868
Depreciations and impairment losses	-323 119	-266 425		-589 544
NET CARRYING AMOUNT AT 31/12/2019	**407 487**	**128 554**	**6 284**	**542 324**
Acquisitions	17 299	11 354	14 718	43 371
Sales and disposals	-996	-79	-58	-1 133
Transfer to other categories	5 507	-236	-5 384	-113
Depreciations and impairment losses	-25 201	-24 979		-50 180
Effect of exchange rate fluctuations	-10 239	-2 746	-147	-13 132
Acquisition value	738 072	400 074	15 413	1 153 558
Depreciations and impairment losses	-344 215	-288 207		-632 422
NET CARRYING AMOUNT AT 31/12/2020	**393 857**	**111 867**	**15 413**	**521 136**
Acquisitions	1 696	7 013	6 697	15 406
Sales and disposals	-6	-32	-27	-65
Transfer to assets held for sale	-1 055			-1 055
Transfer to other categories	1 710	11 557	-13 322	-55
Depreciations and impairment losses	-26 173	-24 646	-4	-50 823
Effect of exchange rate fluctuations	10 553	2 815	175	13 543
Acquisition value	754 225	424 610	8 931	1 187 766
Depreciations and impairment losses	-373 643	-316 036		-689 679
NET CARRYING AMOUNT AT 31/12/2021	**380 581**	**108 574**	**8 931**	**498 087**

ACQUISITIONS

Acquisitions in 2021 include investments in France (€ 8.3 million), the Netherlands (€ 2.8 million), Canada (€ 2.0 million), Belgium (€ 1.0 million), Luxembourg (€ 0.8 million), the United States (€ 0.3 million) and Spain (€ 0.3 million).

The investments mainly relate to the finishing and construction of new cinemas (Metz Amphithéâtre (FR), Leidschendam (NL), Metz Waves (FR), Servon (FR) and South East Edmonton Tamarack (CA)). Investments were also made in internal expansion, in particular in premium cinema experiences and the renovation of St. Catharines (CA) and Belval (LUX). In addition, the investments also include maintenance investments. A number of maintenance programmes were discontinued as a result of the Covid-19 pandemic.

TRANSFER TO ASSETS HELD FOR SALE

Kinepolis decided to close six Canadian cinemas in 2021, each with only one or two screens, as the maintenance investments required were disproportionate to the contribution of these cinemas to the turnover development of the Group. Specifically, it concerns two leased Landmark cinemas, Dawson Creek (BC) and Airdrie (Alberta), and four owned Landmark cinemas, namely Yorkton (Saskatchewan), Selkirk (Manitoba) and the two cinemas located in the Yukon province.

Property, plant and equipment related to these complexes, both land and buildings and machinery and equipment, were impaired to fair value (less costs to sell) if these were lower than the remaining carrying amount. An impairment loss amounting to € 1.2 million was recorded.

With regard to the owned complexes, the assets included in land and buildings were subsequently transferred from Property, plant and equipment to Assets held for sale for an amount of € 1.1 million. For more information we refer to note 17.

12. Investment property

IN '000 €	LAND AND BUILDINGS	PLANT, MACHINERY AND EQUIPMENT	TOTAL
Acquisition value	23 363	519	23 882
Depreciations and impairment losses	-6 498	-503	-7 001
NET CARRYING AMOUNT AT 31/12/2019	**16 865**	**16**	**16 881**
Transfer from assets classified as held for sale	1 686		1 686
Depreciations	-318	-2	-320
Effect of exchange rate fluctuations	-689	-1	-690
Acquisition value	23 847	479	24 326
Depreciations and impairment losses	-6 303	-466	-6 769
NET CARRYING AMOUNT AT 31/12/2020	**17 544**	**13**	**17 557**
Depreciations	-319	-2	-321
Effect of exchange rate fluctuations	170		170
Acquisition value	24 035	480	24 516
Depreciations and impairment losses	-6 640	-469	-7 110
NET CARRYING AMOUNT AT 31/12/2021	**17 395**	**11**	**17 406**

As of 18 January 2007 the land, building, machinery and equipment in Poznań (PL) are no longer used for own operations, but leased to Cinema City, owned by the cinema group Cineworld, and to a number of smaller third parties. As required by IAS 40 (Investment property), the assets in question have been transferred to this category. The total carrying amount of the investment property in Poland is € 8.9 million (2020: € 9.2 million).

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

During 2020 the land in Weyburn and the complex in Fort McMurray, both situated in Canada, were transferred from Assets classified as held for sale to Investment property as they are held to realise rental income and / or an increase in value. The carrying amount per 31 December 2021 amounts to € 0.1 million (2020: € 0.1 million) for the land in Weyburn and € 1.7 million (2020: € 1.6 million) for the complex in Fort McMurray. The increase is the result of exchange rate fluctuations of the Canadian Dollar.

Rental income from investment property was € 1.0 million (2020: € 1.0 million). Rental income in 2021 and 2020 are subject to the consequences of the Covid-19 pandemic. There is a legal obligation in Poland whereby concessions do not have to pay rent during the period of full closure. The direct operating charges (including repairs and maintenance) ensuing from investment property were € 0.4 million (2020: € 0.4 million).

FAIR VALUE

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

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

The fair value of the investment property was € 38.4 million (2020: € 38.2 million). The increase is the result of exchange rate fluctuations of the Polish Złoty and the Canadian Dollar.

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

13. Deferred taxes

IN '000 €	2020	2021
Deferred tax assets	14 778	23 812
Deferred tax liabilities	13 107	12 158

The increase in deferred tax assets and decrease in deferred tax liabilities are due to an increase in the tax losses carried forward, mainly due to the negative result before tax in 2021 as a consequence of the Covid-19 pandemic.

TAX LOSSES CARRIED FORWARD AND UNUSED TAX CREDITS

For tax losses carried forward and unused tax credits amounting to € 11.7 million (2020: € 14.0 million) no deferred tax asset was recognised in the balance sheet as, based on our budgets and estimates, it seems unlikely that sufficient taxable profits will be available in the foreseeable future to be able to benefit from the tax benefit.

For tax losses carried forward and unused tax credits amounting to € 136.7 million (2020: € 103.1 million) a deferred tax asset was recognised in the balance sheet. The increase in these losses is mainly attributable to the negative result before tax as a consequence of the Covid-19 pandemic. Deferred tax assets for unused tax losses will only be recognised if sufficient future taxable profits will be available to enable the losses to be recovered.

The Group bases itself on the assumptions used for the annual impairment test. We refer to note 10 for the relevant assumptions. These assumptions and estimates of the impairment test are further extended to future expected taxable profits in order to further analyse the recoverability of the losses. After an extensive analysis, it is considered probable for these losses that sufficient taxable profit will be available in the future.

Part of the tax losses in 2020 were offset by the profits of 2019 in Belgium and Canada, the so-called 'carry back' option. Through the application of this option in 2020, (part of) the loss for the period resulted in a positive current income tax in the income statement, instead of a deferred tax. On the balance sheet, the 'carry back' in 2020 resulted in a current tax asset instead of a deferred tax asset. The 'carry back' was not used in 2021. We refer to notes 8 and 25 for more information.

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

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

IN '000 €	2020			2021		
	TOTAL	LOSSES FOR WHICH A DEFERRED TAX ASSET IS RECOGNISED	LOSSES FOR WHICH NO DEFERRED TAX ASSET IS RECOGNISED	TOTAL	LOSSES FOR WHICH A DEFERRED TAX ASSET IS RECOGNISED	LOSSES FOR WHICH NO DEFERRED TAX ASSET IS RECOGNISED
Belgium	46 293	35 472	10 822	49 697	41 234	8 463
France	2 010	2 010		2 010	2 010	
Canada	25 757	25 757		42 076	42 076	
The Netherlands	421	421		560	560	
United States	39 450	39 450		50 843	50 843	
Luxembourg	2 868		2 868	2 836		2 836
Poland	308		308	435		435
TOTAL	**117 106**	**103 108**	**13 997**	**148 458**	**136 723**	**11 735**

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 €	2020			2021		
	ASSETS	LIABILITIES	DIFFERENCE	ASSETS	LIABILITIES	DIFFERENCE
Intangible assets and property, plant and equipment	1 078	-37 021	-35 943	717	-35 171	-34 454
Goodwill	2 479		2 479	1 557		1 557
Right-of-use assets		-89 945	-89 945		-87 345	-87 345
Receivable CNC grants	216	-11	205	172		172
Trade and other receivables	148	-145	3	5		5
Provisions	32	-166	-134		-137	-137
Deferred CNC grants	783	-268	514	669	-254	415
Provisions for employee benefits	249		249	373		373
Derivative financial instruments through equity	22		22	7		7
Lease liabilities	97 575		97 575	96 375		96 375
Trade and other payables	609	-145	464	125	-77	48
Tax losses carried forward and unused tax credits	26 183		26 183	34 636		34 636
TOTAL	**129 372**	**-127 700**	**1 671**	**134 638**	**-122 985**	**11 654**
Tax offsetting	-114 593	114 593		-110 826	110 826	
NET DEFERRED TAX ASSETS AND LIABILITIES	**14 778**	**-13 107**	**1 671**	**23 812**	**-12 158**	**11 654**

CHANGES IN DEFERRED TAX BALANCES DURING THE YEAR

IN '000 €	2019	RECOGNISED IN INCOME STATEMENT	EFFECT OF EXCHANGE RATE FLUCTUATIONS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	2020	RECOGNISED IN INCOME STATEMENT	EFFECT OF EXCHANGE RATE FLUCTUATIONS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	2021
Intangible assets and property, plant and equipment	-37 373	-106	1 536		-35 943	3 028	-1 539		-34 454
Goodwill	4 090	-1 359	-252		2 479	-1 080	159		1 557
Right-of-use assets	-98 259	3 319	4 995		-89 945	8 006	-5 407		-87 345
Receivable CNC grants	187	18			205	-33			172
Trade and other receivables	265	-257	-5		3	2			5
Provisions	-156	22			-134	-3			-137
Deferred CNC grants	579	-65			514	-99			415
Provisions for employee benefits	257	16		-24	249	235		-110	373
Derivative financial instruments through equity	50			-28	22			-15	7
Lease liabilities	104 040	-1 111	-5 354		97 575	-7 154	5 954		96 375
Trade and other payables	391	73			464	-414	-2		48
Investments in subsidiaries		-744		744		1 614		-1 614	
Tax losses carried forward and unused tax credits	6 749	20 414	-980		26 183	6 850	1 603		34 636
TOTAL	**-19 181**	**20 220**	**-60**	**692**	**1 671**	**10 953**	**768**	**-1 738**	**11 654**

The effect of exchange rate fluctuations in 2021 relate to deferred taxes in Canada (€ 0.3 million – 2020: € 0.2 million) and the United States (€ 0.4 million – 2020: € -0.3 million).

In 2021, due to a negative result before tax, the tax effect on the exchange rate results relating to the non-current borrowings in US Dollar from Kinepolis Group NV to Kinepolis US INC, is recognised as a deferred tax in line with the deferred tax on the loss carried forward.

In 2020, the tax effect on the exchange rate results relating to the non-current borrowings in Canadian Dollar and Polish Złoty from Kinepolis Financial Services NV to Kinepolis Canada LTD and Kinepolis Poznań Sp.z o.o was recognised as a deferred tax. This is included in the 'Investments in subsidiaries' line in the table above.

14. Inventories

IN '000 €	2020	2021
3D glasses	431	369
Goods purchased for resale in cinemas	1 670	3 158
Components inventory, technical department	1 507	1 211
Others	257	242
TOTAL	**3 865**	**4 980**

The cost of sales of inventories recognised in the income statement was € 19.8 million (2020: € 11.0 million).

15. Trade and other receivables

OTHER NON-CURRENT RECEIVABLES

IN '000 €	2020	2021
Cash guarantees	1 074	1 003
Grants – CNC	4 933	5 057
Other receivables	314	292
TOTAL	**6 321**	**6 352**

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

TRADE AND OTHER CURRENT RECEIVABLES

IN '000 €	2020	2021
Trade receivables	15 119	20 281
Tax receivables, other than income taxes	5 397	2 709
Deferred charges and accrued income	244	5 328
Tax shelter receivables	88	88
Tax shelter investments	304	304
Grants receivable related to the Covid-19 pandemic	4 302	4 521
Other receivables	1 302	523
TOTAL	**26 756**	**33 754**

The movements of the categories trade receivables and deferred charges and accrued income are analysed together this year. This is because the deferred charges and accrued income were included for a large part in the category trade receivables in 2020. As from 2021, these are included separately in the category deferred charges and accrued income. For both categories together there is an increase of € 10.2 million or 66.7%. This increase is mainly related to the increased activity in 2021 compared to 2020 given the (partial) resumption of activities after the closure of the cinemas.

Tax receivables, other than income taxes, have decreased by € 2.7 million, mainly due to a decrease in recoverable VAT.

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.

Grants receivable related to the Covid-19 pandemic amount to € 4.5 million (2020: € 4.3 million) and mainly relate to grants receivable related to employee benefit expenses, allowances for fixed costs, grants receivable from CNC and other allowances as a result of the Covid-19 pandemic. There are conditions attached to these receivables, which were met on the balance sheet date, and therefore the receivables were recognised.

The decrease in other receivables is mainly explained by a decrease in the current portion of the French sector-related grants (CNC) for € 1.1 million (outstanding position as of 31 December 2021: € 0.0 million – 31 December 2020: € 1.1 million). Throughout 2021, € 0.7 million new grants were allocated and € 1.8 million grants were received.

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

IN '000 €		2020			2021	
	GROSS CARRYING AMOUNT	IMPAIRMENT	NET CARRYING AMOUNT	GROSS CARRYING AMOUNT	IMPAIRMENT	NET CARRYING AMOUNT
Not yet due on reporting date	27 533	-4	27 529	33 240		33 240
Less than 30 days past due	3 049	-351	2 698	2 923	-26	2 897
Between 31 and 120 days past due	2 149	-877	1 272	2 482	-491	1 991
Between 120 days and 1 year past due	2 504	-1 607	897	1 314	-978	336
Over 1 year past due	2 149	-1 468	681	3 050	-1 408	1 642
TOTAL	**37 384**	**-4 307**	**33 077**	**43 009**	**-2 903**	**40 106**

MOVEMENT OF IMPAIRMENTS ON TRADE RECEIVABLES

IN '000 €	2020	2021
BALANCE AT END OF PREVIOUS PERIOD	**-1 516**	**-4 307**
Recognised impairments	-3 671	-2 077
Used impairments	195	467
Reversed impairments	678	3 036
Effect of exchange rate fluctuations	7	-22
BALANCE AT END OF CURRENT PERIOD	**-4 307**	**-2 903**

The impairments on the trade receivables decreased by € 1.4 million. The decrease is mainly explained by a decrease of the impairment on trade receivables with regard to leased concessions. The outstanding receivables and the associated impairments related to leased concessions increased strongly throughout 2020 as a result of the Covid-19 pandemic.

In 2021, the Group was able to reverse a large part of these impairments. For the impact of the final settlement of the outstanding trade receivables, we refer to note 4.

The value for losses is determined in accordance with IFRS 9. We refer to note 26 for more information.

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

16. Cash and cash equivalents

IN '000 €	2020	2021
Cash at bank and in hand	33 007	75 295
TOTAL	**33 007**	**75 295**
Bank overdrafts used for the statement of cash flow	-112	-12
CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOW	**32 895**	**75 283**

There are no significant unavailable cash and cash equivalents.

17. Assets classified as held for sale

IN '000 €	2020	2021
BALANCE AT END OF PREVIOUS PERIOD	1 767	0
Transfer from / to assets held for sale	-1 686	1 055
Sales and disposals		-1 055
Effect of exchange rate fluctuations	-81	
BALANCE AT END OF CURRENT PERIOD	**0**	**0**

In 2020 the land in Weyburn, as well as the Fort McMurray complex, were transferred to the Investment property category. As a result of the Covid-19 pandemic both were not expected to be sold within a 12-month period.

Kinepolis decided to close six Canadian cinemas in 2021, each with only one or two screens, as the maintenance investments required were disproportionate to the contribution of these cinemas to the turnover development of the Group. Specifically, it concerns two leased Landmark cinemas, Dawson Creek (BC) and Airdrie (Alberta), and four owned Landmark cinemas, namely Yorkton (Saskatchewan), Selkirk (Manitoba) and the two cinemas located in the Yukon province.

Property, plant and equipment related to these complexes, both land and buildings and machinery and equipment, were impaired to fair value (less costs to sell) if this was lower than the remaining carrying amount. An impairment loss amounting to € 1.2 million was recorded. For more information we refer to note 11.

With regard to the owned complexes, the assets included in land and buildings were subsequently transferred from Property, plant and equipment to Assets held for sale for an amount of € 1.1 million. The owned cinemas were all sold at the end of the summer. A capital gain of € 0.5 million was realised on the sale of these Canadian cinemas. For more information we refer to note 4.

18. Equity

The various components of equity, as well as the changes between 31 December 2021 and 31 December 2020, are set out in the consolidated statement of changes in equity.

SHARE CAPITAL
The share capital of the Company at 31 December 2021 was € 19.0 million (2020: € 19.0 million), represented by 27 365 197 ordinary shares without nominal value (2020: 27 365 197 shares). All shares are paid up in full. The share premium at 31 December 2021 was € 1.2 million (2020: € 1.2 million). The ordinary shares are entitled to a dividend, and the holders of these shares are entitled to cast one vote at the shareholder meetings of the Company.

TREASURY SHARES RESERVE
The Extraordinary General Meeting of 11 May 2016 authorised the Board of Directors to buy back 410 958 treasury shares to cover the new options to be issued. Under the 2016 Share Option Plan, the Board of Directors decided on 22 December 2017 to buy back up to 360 000 treasury shares through the grant of a discretionary mandate to an agent, either on the stock exchange or outside of it, between 15 January 2018 and 30 September 2018, whereby block trades can be considered as well during open periods. The share buyback program, which started on 15 January 2018, was terminated on Tuesday, 12 June 2018. As part of the discontinued share buyback program, Kinepolis Group has bought back 360 000 shares for an amount of € 20 302 894.

In 2021, 58 299 treasury shares were sold due to exercise of options for € 2.4 million (2020: 11 495 shares – € 0.5 million). Furthermore, no shares were cancelled in 2021 (2020: 0 shares – € 0.0 million). The total number of treasury shares on 31 December 2021 amounts to 422 552 (2020: 480 851). These majority of these shares will be used for the 2016 option plan.

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

TRANSLATION RESERVE
The translation reserve includes on the one hand all exchange rate differences resulting from the translation of the annual accounts of foreign entities in foreign currencies and on the other hand exchange rate differences of the translation of intra-group non-current borrowings in foreign currencies.

The movement in 2021 is mainly due to the exchange rate fluctuation of both the American and the Canadian Dollar against the Euro.

In addition, some non-current borrowings with Switzerland, Poland, Canada and the United States are considered as a net investment hedge for the participating interest in the same subsidiaries. Consequently, the translation differences on these borrowings were included in equity under the other comprehensive income. For more information we refer to note 26.

SHARE-BASED PAYMENTS RESERVE
On 31 December 2021 a total of 361 469 options were allocated (2020: 419 768). These shares entitle their holders to one share per option. For more information we refer to note 20. The options will expire 8 years after the date of approval of the Plan by the General Meeting, which is 11 May 2024.

DIVIDENDS TO THE SHAREHOLDERS
In view of the result and the impact of the Covid-19 virus on the business operations, the Board of Directors will propose to the General Meeting not to distribute a dividend.

NON-CONTROLLING INTERESTS
The participation of Kinepolis Group in Landmark Cinemas Holding LTD and Landmark Cinemas Canada LP increased in 2021 from 99.02% to 99.30% due to the acquisition of non-controlling interests, without changes in control.

19. Result per share

BASIC RESULT PER SHARE
The calculation of the result per share is based on the result of € -25.4 million, attributable to the ordinary shareholders (2020: € -68.9 million), and on a weighted average of the number of ordinary shares, outstanding during the financial year, of 26 900 080 (2020: 26 884 346).

DILUTED RESULT PER SHARE
The calculation of the diluted result per share is based on the result of € -25.4 million attributable to the ordinary shareholders (2020: € -68.9 million), and on a weighted average of the number of diluted ordinary shares, outstanding during the financial year, of 27 186 753 (2020: 27 158 344).

IN '000 (unless indicated otherwise)	2020	2021
RESULT ATTRIBUTABLE TO OWNERS OF THE COMPANY	-68 879	-25 399
Weighted average number of ordinary shares	26 884	26 900
Effect of options	274	287
Weighted average number of diluted shares	27 158	27 187
BASIC RESULT PER SHARE (IN €)	-2.56	-0.94
DILUTED RESULT PER SHARE (IN €)	-2.54	-0.93

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 Group share over 30 days preceding the offer. The options will expire 8 years after the date of the approval of the Plan by the General Meeting.

This 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. Throughout 2021, no options were granted (2020: 0), 58 299 options were exercised (2020: 11 495) and no options were forfeited (2020: 6 737).

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

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

For more information we refer to note 5.

AMOUNTS IN € (unless indicated otherwise)	12/2016 (1)	12/2017	04/2019	10/2019
Fair value of allocated options	7.30 / 9.71	12.91	8.87	9.98
Share price at grant date	44.19 / 48.29	57.30	51.30	57.80
Exercise price	41.55	48.25	49.75	53.40
Expected volatility	23.43% / 23.53%	25.45%	26.41%	24.81%
Original expected term (in years)	8	7	6	5
Expected dividend growth	7.86%	7.86%	8.30%	8.30%
Risk-free interest rate	-0.14%	0.01%	-0.179%	-0.443%

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

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

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

For the options granted in 2018, the first tranche of 20% is acquired at the time of their granting. The other tranches of 20% per year during the four years after their grant date. Concerning the options granted in 2019, the tranches are different between the grants in April and October. The first tranche of 16.66% / 25% is acquired at the time of their granting. The other tranches of 16.66% / 25% per year during five / three years after their grant date.

AMOUNTS IN € (unless indicated otherwise)	2020		2021	
	NUMBER OF OPTIONS	AVERAGE FAIR VALUE	NUMBER OF OPTIONS	AVERAGE FAIR VALUE
OUTSTANDING OPTIONS AT END OF PREVIOUS PERIOD	**438 000**		**419 768**	
Options allocated during the year				
Options exercised during the year	-11 495		-58 299	
Options forfeited during the year	-6 737			
OUTSTANDING OPTIONS AT END OF CURRENT PERIOD	**419 768**	**9.37**	**361 469**	**9.52**

21. Loans and borrowings

This note provides information on the Group's interest-bearing loans and borrowings. For further information on the contractual terms of these loans and borrowings and the Group's exposure to interest and foreign currency risks, we refer to note 26.

NON-CURRENT LOANS AND BORROWINGS

IN '000 €	2020	2021
Public bond	15 878	15 878
Private placement of bonds	446 000	384 600
Loans and borrowings with credit institutions	10 157	80 000
Transaction costs refinancing	-2 153	-1 984
TOTAL	**469 882**	**478 494**

CURRENT LOANS AND BORROWINGS

IN '000 €	2020	2021
Private placement of bonds		61 400
Roll-over credit	66 500	
Loans and borrowings with credit institutions	10 099	10 157
TOTAL	**76 599**	**71 557**

Kinepolis Group issued a € 75.0 million bond in March 2012, with maturity in March 2019. The bond was partially extended until June 2023 in June 2015. In March 2019, € 59.1 million was repaid, as of 31 December 2021 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 January 2022, € 61.4 million was repaid.

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. In December 2021, the maturity date of the roll-over credit was extended from December 2024 to December 2026, by exercising the two available extension options. As of 31 December 2021, there is no outstanding draw on the roll-over credit (2020: € 66.5 million).

This credit facility was extended in December 2015, following the Utopolis acquisition, with a 7-year term loan with annual repayments. In 2017, the credit facility was extended once again with a 5-year term loan with annual repayments. On 31 December 2021, € 10.2 million of the term loans were outstanding (2020: € 20.3 million). For more information we refer to note 26.

Throughout 2021 and 2020 the cinema industry and Kinepolis were badly hit by the Covid-19 pandemic, resulting in cinema closures, capacity restrictions and postponements of Hollywood blockbuster releases. In order to be prepared for possible longer delays before the full resumption of its activities, Kinepolis has taken out an additional loan with its main bankers on 8 January 2021 of € 80.0 million for a period of 3 years, at a variable interest rate and supported by a government guarantee. For more information we refer to note 26.

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 2021 this amounts to € 2.0 million (2020: € 2.2 million). For more information we refer to note 7.

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

IN '000 €	NOTE	FINANCIAL LIABILITIES		EQUITY			TOTAL
		LOANS AND BORROWINGS	LEASE LIABILITIES	TREASURY SHARES RESERVE	RETAINED EARNINGS	NON-CONTROLLING INTERESTS	
BALANCE AT 31/12/2020		**546 481**	**393 612**	**-22 610**	**142 548**	**4**	**1 060 037**
Cash flow from financing activities							
Acquisition of non-controlling interests, without changes in control	*18*				-334	-6	-341
Investment contributions	*27*		1 298				1 298
Payment of lease liabilities incl. forgiveness of lessee's lease payments	*27*		-12 599				-12 599
Proceeds from loans and borrowings	*26*	80 000					80 000
Repayment of loans and borrowings	*26*	-76 599					-76 599
Payment of transaction costs with regard to refinancing obligations	*7, 26*	-449					-449
Interest paid	*7*	-15 534					-15 534
Paid interest related to lease liabilities	*27*		-10 323				-10 323
Sale of treasury shares	*18, 20*			1 113	1 309		2 422
NET CASH FLOW – USED IN / + FROM FINANCING ACTIVITIES		**-12 582**	**-21 624**	**1 113**	**975**	**-6**	**-32 124**
Other adjustments							
Interest expenses	*7*	15 016					15 016
Refinancing costs	*7, 26*	619					619
Capitalised interest expenses	*7*	180					180
Movement accrued interests	*26*	337					337
Movement lease liabilities	*27*		18 579				18 579
Total other adjustments		16 152	18 579				34 730
Total other equity adjustments					-24 919	-77	-24 997
BALANCE AT 31/12/2021		**550 051**	**390 567**	**-21 497**	**118 604**	**-79**	**1 037 646**

22. Employee benefits

The amounts on the balance sheet are determined as follows:

IN '000 €	2020	2021
Defined benefit plans	998	764
Other employee benefits [1]		727
TOTAL	**998**	**1 491**

(1) The balance sheet position with regard to the obligation in France to pay a departure benefit to employees following their retirement (2021: K€ 727 – 2020: K€ 787) was transferred from the category Other payables (current) to the category Provisions for employee benefits in 2021.

DEFINED BENEFIT PLANS

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

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 (so-called 'Vandenbroucke Law'), all Belgian plans with defined contributions are qualified under IFRS as a defined benefit plan. 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:

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

IN '000 €	2020	2021
Liability from defined benefit plans	6 688	6 855
Fair value of fund investments	-5 690	-6 090
Net liability (asset) from defined benefit plans	998	764

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

ACTUARIAL ASSUMPTIONS

The main actuarial assumptions are:

IN %	2020	2021
Weighted average discount rate	0.70%	0.90%
Expected inflation	1.75%	1.75%
Expected general pay rise	2.75%	2.75%

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

TOTAL COMPREHENSIVE INCOME

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

IN '000 €	2020	2021
Included in the income statement		
Pension costs allocated to the year of service	-324	-321
Interest expenses	-5	-6
	-329	-327
Included in other comprehensive income		
Change to estimate of defined benefit rights	96	329
	96	329
TOTAL COMPREHENSIVE INCOME	**-233**	**2**

The expected pension costs from defined benefit plans for 2022 amount to € 0.2 million, and primarily relate to allocated pension costs.

SENSITIVITY ANALYSIS

IN '000 €	31 DECEMBER 2021	
	INCREASE	DECREASE
Discount rate (1% movement)	-454	590
Future pay fluctuation (1% movement)	42	-37
Life expectancy (1% movement)	-2	2

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

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

OTHER EMPLOYEE BENEFITS

The Group has an obligation in France to pay a departure benefit to employees following their retirement. This compensation is also accounted for as a defined benefit plan.

ACTUARIAL ASSUMPTIONS

The main actuarial assumptions are:

IN %	2020	2021
Discount rate	0.85%	0.90%
Expected salary inflation	1.50%	1.50%

TOTAL COMPREHENSIVE INCOME
For this obligation, the following amounts are included in total comprehensive income:

IN '000 €	2021
Included in the income statement	
Costs allocated to the year of service	-47
Interest expenses	-5
	-52
Included in other comprehensive income	
Change in experience adjustments, financial and demographic assumptions	112
	112
TOTAL COMPREHENSIVE INCOME	**60**

The expected costs for this obligation for 2022 amount to € 0.1 million.

23. Provisions

The provisions mainly relate to site restoration and a number of disputes.

SITE RESTORATION
The lease of the Brussels (BE) cinema complex on the land owned by the City of Brussels has a definite term. The Company has a contractual obligation to restore the site to its original state.

At 31 December 2021, the provision for the demolition of the building and the restoration of the site to its original state was € 1.4 million (2020: € 1.4 million).

DISPUTES
At 31 December 2021, the provision for disputes was € 0.9 million (2020: € 0.9 million). These relate to disputes regarding employee matters and disputes from third parties for the purpose of obtaining compensations. When these provisions will be used or reversed 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 €	2020	2021
BALANCE AT END OF PREVIOUS PERIOD	2 833	2 290
Additions of provisions	54	419
Unwinding of provisions	38	38
Use of provisions	-284	-122
Reversal of provisions	-334	-349
Effect of exchange rate fluctuations	-17	23
BALANCE AT END OF CURRENT PERIOD	2 290	2 299
Balance at end of current period (non-current)	2 021	1 941
Balance at end of current period (current)	269	358
TOTAL	**2 290**	**2 299**

24. Trade and other payables

OTHER NON-CURRENT PAYABLES

IN '000 €	2020	2021
Deferred grants - CNC	5 396	4 663
Other payables	960	733
TOTAL	**6 356**	**5 396**

The other non-current payables primarily comprise the grants that can be claimed from the CNC in France based on the number of visitors. These grants, for an amount of € 4.7 million (2020: € 5.4 million), are recognised as 'Other operating income' in line with the depreciation rate of the assets for which these grants were obtained. We refer to note 4 for more information. The category other payables mainly includes guarantees received for € 0.7 million (2020: € 1.0 million).

TRADE AND OTHER CURRENT PAYABLES

IN '000 €	2020	2021
Trade payables	35 832	56 633
Gift vouchers	20 775	27 855
Payables related to remuneration and social security	14 726	14 625
Accrued charges and deferred income	3 564	6 692
Tax payables, other than income taxes	3 212	5 301
Other payables	226	437
TOTAL	**78 335**	**111 543**

The movements of the categories trade payables and accrued charges and deferred income are analysed together this year. This is because the accrued charges and deferred income were included for a large part in the category trade payables in 2020. As from 2021, these are included separately in the category accrued charges and deferred income. For both categories together there is an increase of € 23.9 million or 60.7%. This increase is mainly related to the increased activity in 2021 compared to 2020 given the (partial) resumption of activities after the closure of the cinemas.

On 31 December 2021, the accrued interest expenses with respect to the public and private bonds issued, the roll-over credit and loans and borrowings with credit institutions amounted to € 3.8 million (2020: € 3.5 million for the public and private bonds issued and the roll-over credit). The deferred income amounts to € 2.8 million on 31 December 2021.

The increase in tax payables, other than income taxes, is also explained by the increased activity in 2021 compared to 2020 as a result of the Covid-19 pandemic, mainly due to an increase of payables related to VAT.

There is a decrease in payables related to remuneration and social security of € 0.1 million. The provision with regard to the obligation in France to pay a departure benefit to employees following their retirement, which was previously included in the category payables related to remuneration and social security (2020: € 0.8 million), is included in the category 'Provisions for employee benefits' in the consolidated statement of financial position since 2021. We refer to note 22 for more information. The remaining increase of € 0.7 million is explained by the increased activity in 2021 and a decrease of the support measures received with regard to remuneration, as a result of the Covid-19 pandemic.

The current contractual obligation with regard to gift vouchers amounts to € 27.9 million at 31 December 2021 (2020: € 20.8 million). The evolution of the balance of the current obligation with regard to the gift vouchers depends on the evolution of the number of visitors and the period in which they can be used. The gift vouchers have an average duration to maturity of less than 12 months in Europe. In the United States, gift vouchers have a duration of five years, and gift vouchers have an unlimited duration in Canada. The expiry dates of gift vouchers have been extended in some countries due to the Covid-19 pandemic.

CURRENT CONTRACTUAL OBLIGATION WITH REGARD TO THE GIFT VOUCHERS

IN '000 €	2020	2021
BALANCE AT END OF PREVIOUS PERIOD	27 475	20 775
Newly issued gift vouchers	12 859	25 370
Gift vouchers exercised or expired	-19 599	-18 747
Effect of exchange rate fluctuations	40	457
BALANCE AT END OF CURRENT PERIOD	**20 775**	**27 855**

25. Current taxes

IN '000 €	2020	2021
Current tax assets	7 431	1 418
Current tax liabilities	306	884

Current tax assets amount to € 1.4 million (2020: € 7.4 million). At the end of 2021 there are current tax assets in Spain (€ 0.6 million), the Netherlands (€ 0.5 million), Luxembourg (€ 0.3 million) and France (€ 0.1 million), partly due to prepayments and tax credits which are higher than the taxes due.

In 2020 the current tax assets mainly consisted of a receivable as a result of the so-called 'carry back' option in Belgium for € 5.9 million. The losses of 2020 could be deducted early and be offset against the profits of 2019 as a consequence of the Covid-19 pandemic. There is also a 'carry back' option in Canada, which was already in place before the Covid-19 pandemic, which resulted in a receivable of € 0.5 million in 2020. Due to the 'carry back' option in 2020, a current income tax instead of a deferred income tax was included in the income statement, and a current tax asset instead of a deferred tax asset on the balance sheet. We refer to notes 8 and 13 for more information. The current tax assets with regard to the 'carry back' in Belgium and Canada were received throughout 2021, resulting in a decrease of the current tax assets in 2021. The 'carry back' was not used in 2021.

Current tax liabilities increased from € 0.3 million to € 0.9 million in 2021. Current tax liabilities mainly consist of taxes payable in Belgium (€ 0.8 million), due to lower prepayments compared to the taxes due.

26. 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 transactions, primarily interest rate forward contracts, interest rate swaps and forward exchange contracts. The purpose is to manage the interest rate and foreign currency risks arising from the Group's activities and its sources of financing.

The main risks arising from the Group's financial instruments are the interest rate risk, the liquidity risk, the foreign currency risk and the credit risk. It is Group's 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's policy not to allow the use of derivative financial instruments for speculative purposes.

The Board of Directors investigates and approves policies for managing each of these risks. These policies are summarised in this document. 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 interest rate 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 swap agreements outstanding, on which the Group receives a variable interest rate equal to EURIBOR and pays a fixed interest rate. These swaps are used to cover the variability in the cash flows of the underlying loans. These interest rate swaps are classified as cash flow hedges in accordance with IFRS 9 hedge accounting. Consequently, the portion of the profit or loss on the interest rate swap, which can be considered to be an effective hedge, is recognised directly in equity. The total of the changes in the fair value of the interest rate swaps before deferred tax and recognised in equity gives rise to a € 0.1 million increase in equity on 31 December 2021 (2020: € 0.1 million).

On 31 December 2021, taking into account the effect of interest rate swaps, 84.74% of the Group's loans and borrowings had been contracted at a fixed interest rate (2020: 86.35%).

INTEREST RATE RISK SENSITIVITY ANALYSIS
The interest-bearing loans and borrowings at the balance sheet date were € 552.0 million (2020: € 548.6 million). € 90.2 million or 16.3% of the interest-bearing loans and borrowings have a variable interest rate, without taking into account the effect of the interest rate swaps (2020: € 86.8 million or 15.8%).

Total interest expenses, excluding interest expenses attributed to the lease liabilities, charged to the income statement in 2021, amount to € 15.5 million (2020: € 14.7 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 on 31 December 2021 was € 5.9 million (2020: € 11.9 million).

FOREIGN CURRENCY RISK
The Group has a foreign currency risk on positions that derive from purchases or sales and from outstanding loans and borrowings with group companies in currencies other than the functional currency (Euro) (transactional risk). Group policy is focused to limit the cash impact of exchange rate fluctuations on the result as much as possible. Derivative instruments can be used at any time to hedge this risk.

30.6% (2020: 26.2%) of the sales of the group companies are denominated in currencies other than the functional currency, in particular the sales of Landmark Cinemas (Canada) in Canadian Dollar and the sales of MJR Digital Cinemas (United States) in US Dollar. Given the fact that the cash flows from these countries are reinvested in the countries concerned, there are no forward contracts to hedge the foreign currency risk of the operational cash flows from these countries. The purchases of the subsidiaries of the Group mainly concern the purchases of materials by the Group in US and Canadian Dollar. On 31 December 2021, the Group has no outstanding forward exchange contracts (2020: $ 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. Exchange rate 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 exchange rate results were recorded directly in equity, before tax:

IN '000 €	2020	2021
Canadian Dollar	-3 281	6 363
US Dollar	-7 063	6 454
Polish Złoty	-600	24
Swiss Franc	54	518
TOTAL	**-10 890**	**13 359**

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

The tables below state the possible exchange rate changes for the Canadian Dollar, US Dollar, Polish Złoty and Swiss Franc against the Euro, estimated on the basis of theoretical and actual volatility. The actual volatility has been determined based on the evolution of the rate over the past 5 years.

SENSITIVITY ANALYSIS FOR FOREIGN CURRENCY RISK

1 EURO CORRESPONDS TO:	CLOSING RATE 31/12/2021	AVERAGE RATE 2021	THEORETICAL VOLATILITY	POSSIBLE CLOSING RATE 31/12/2021	POSSIBLE AVERAGE RATE 2021
Canadian Dollar	1.4393	1.4826	10%	1.30 – 1.58	1.33 – 1.63
US Dollar	1.1326	1.1827	10%	1.02 – 1.25	1.06 – 1.30
Polish Złoty	4.5994	4.5652	10%	4.14 – 5.06	4.11 – 5.02
Swiss Franc	1.0331	1.0811	10%	0.93 – 1.14	0.97 – 1.19

If, at the balance sheet date, the Canadian Dollar, the US Dollar, the Polish Złoty and the Swiss Franc had strengthened / weakened as indicated above, and all other variables being constant, the result of 2021 would have been € 2.6 million lower or € 2.1 million higher, and equity would be € 17.9 million higher or € 14.7 million lower at the end of 2021. Only the Canadian Dollar and the US Dollar have a material impact in the above sensitivity analysis.

1 EURO CORRESPONDS TO:	CLOSING RATE 31/12/2021	AVERAGE RATE 2021	ACTUAL VOLATILITY	POSSIBLE CLOSING RATE 31/12/2021	POSSIBLE AVERAGE RATE 2021
Canadian Dollar	1.4393	1.4826	7.66%	1.33 – 1.55	1.37 – 1.60
US Dollar	1.1326	1.1827	9.16%	1.03 – 1.24	1.07 – 1.29
Polish Złoty	4.5994	4.5652	6.50%	4.30 – 4.90	4.27 – 4.86
Swiss Franc	1.0331	1.0811	7.51%	0.96 – 1.11	1.00 – 1.16

If, at the balance sheet date, the Canadian Dollar, the US Dollar, the Polish Złoty and the Swiss Franc had strengthened / weakened as indicated above, and all other variables being constant, the result of 2021 would have been € 1.9 million lower or € 1.6 million higher, and equity would be € 14.7 million higher or € 12.4 million lower at the end of 2021. 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 the contractual obligations. Credit losses are recognised on the basis of a model based on 'expected credit losses' in line with IFRS 9 – Financial Instruments. The application of this model requires judgement by the Group, taking into account the impact of changes in economic factors on expected credit losses.

In accordance with IFRS 9, the loss allowances will be determined on the following basis:

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

Both historical and forward-looking information are taken into account.

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

In normal circumstances, the majority of the activities of the Group are cash-based transactions. It is Group policy that all customers who wish to trade on credit terms are subject to a credit verification procedure. In addition, the receivable balance is permanently monitored.

As a result of the global outbreak of the Corona virus, there were alternating periods of closure and opening of cinemas in 2021 and 2020, often with restrictions, with this differing from country to country. Due to the closure of almost all cinemas until the end of May / beginning of June 2021, the majority of the Group's turnover was lost for several months. Even after reopening, there were still measures in place in most countries with regard to capacity restrictions, distancing rules and access restrictions, such as having a Covid passport, and there were closures again in Belgium and the Netherlands in the fourth quarter. These imposed closures and restrictions also have consequences for the Group's concession holders.

In order to take these current circumstances into account, the Group has placed more weight on forward-looking information, rather than historical information, in determining expected credit losses, and has taken an increased risk of non-payment into account. The Group has only applied this to the trade receivables from concession holders, and not to the cinema related turnover, as this is a cash-based business.

As a result, there was an increase in the provision for expected credit losses amounting to € 2.8 million in 2020. The outstanding receivables and the associated impairments related to leased concessions increased strongly throughout 2020 as a result of the Covid-19 pandemic. In 2021, the Group was able to reverse a large part of these impairments and the provision for expected credit losses decreased with € 1.4 million. We refer to note 15 for more information.

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

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

LIQUIDITY RISK

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

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

Kinepolis has made every effort to adjust its costs as much as possible and in the very short term to the impact of the Covid-19 virus on its activities. The measures taken include drastically scaling back the number of active employees, thereby drawing on the support measures in each country, both in cinemas and at the support services level in the national and international headquarters. In addition, various measures were taken to limit the 'cash out', such as the decision not to distribute a dividend for 2019, negotiations with suppliers and the owners of leased cinemas with a view to obtaining financial compensations as a result of the reduction or closure of the activities, as well as the maximum postponement of all investments, except for the new-build projects already in progress.

At the start of the crisis in 2020, Kinepolis had a strong balance sheet, sufficient financial reserves and credit lines that allowed the Company to be closed for more than a year. In order to be prepared for possible longer delays before the full resumption of its activities, Kinepolis has taken out an additional loan of € 80.0 million with its main bankers for a period of 3 years, with a variable interest rate. On account of its strong balance sheet, the rigorous cost control measures applied, the solid real estate position and the back-up of an 80% state guarantee provided in Belgium by Gigarant, Kinepolis has succeeded in concluding the additional credit at attractive commercial terms.

In this context, the financial institutions also extended the suspension of the credit covenants ('covenant holiday') until 30 June 2022. A suspension until 30 June 2021 had already been obtained in 2020. Based on the current results and assumptions, the Group should be able to comply with its covenants as of 30 June 2022. However given the uncertainty associated with the pandemic, it has been decided to request an extension of the suspension from the banks until 31 December 2022, as a precautionary measure. This extension of the suspension until 31 December 2022 was obtained in March 2022. This is further explained in 'Financial instruments'.

As soon as the cinemas were able to reopen in most markets and the film releases returned to a normal pace, the Group was able to present a strong free cash flow generation, thanks in part to the recovery of the lost working capital. As per 31 December 2021, free cash flow was € 48.9 million, with net financial debt, excluding lease liabilities, amounting to € 474.5 million. Net financial debt decreased by € 38.8 million compared to 31 December 2020.

Kinepolis Group had € 171.0 million in liquidity at the start of 2021, consisting of cash and cash equivalents and available credit lines, including the new € 80.0 million credit concluded at the beginning of January 2021. The liquidity position at the end of June amounted to € 141.9 million. Thanks to strong cost management, one-off support measures and the good operating result, Kinepolis was able to limit its free cash flow in the first half of the year to an average of € -3.6 million per month, even under the circumstances of the majority of the cinemas remaining closed until June. In the second half of the year, the reopening of the cinemas and the return of the blockbusters, together with the measures taken to improve the Company's performance, ensured a further increase of the liquidity position to € 199.8 million.

Kinepolis therefore has, thanks to the measures taken, sufficient available financial resources to deal with this crisis. Kinepolis has pursued a prudent financial policy in recent years. This has resulted in an average maturity of more than 3.5 years for the outstanding financial liabilities as per 31 December 2021. The next significant repayment of its bonds took place at the end of January 2022 (€ 61.4 million), and this from the available financial resources.

The remaining average maturity as per 31 January 2022 is equal to 4.08 years. After the repayment in January 2022, there are no more significant financial maturities in 2022 and 2023. In December 2021, the maturity date of the roll-over credit was also extended from December 2024 to December 2026 by exercising the two foreseen extension options.

CAPITAL MANAGEMENT

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

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

The Board of Directors believed that the ratios of net financial debt to equity and net financial debt to EBITDA were at risk of becoming too low as from mid 2010, and therefore proposed to the General Meeting to reduce the share capital and to buy back and destroy treasury shares with the aim of improving the ratios, and thereby create shareholder value. After approval by the Extraordinary General Meeting of 20 May 2011, the capital was therefore reduced by € 30.0 million and shares were bought back between 2011 and 2015, for the hedging of options on the one hand, and for cancellation on the other, which has taken place in the meantime. The expansion strategy of Kinepolis Group was started in 2014 and, due to the success of this expansion program, the capital optimisation program was stopped in 2015. The Group continues to strive for a combination of a higher-than-average market return with a lower-than-average risk through the 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 in 2018. The total number of treasury shares on 31 December 2021 amounts to 422 552 (2020: 480 851). The majority of these shares are intended to cover the Group's current stock option plan. In 2021, 58 299 treasury shares were sold (2020: 11 495) and no treasury shares were bought back (2020: 0).

FINANCIAL INSTRUMENTS

DEBT PORTFOLIO

On 15 February 2012, within the framework of the refinancing of its existing syndicated credit and the financing of the further general development of the Group, Kinepolis Group NV signed a € 90.0 million credit agreement with ING Belgium, KBC Bank and BNP Paribas Fortis until 31 March 2017 (roll-over credit). At the end of June 2015, this existing credit facility was renewed with the bank consortium for the full term until the end of June 2020. In May 2016, the term of the existing credit agreement for € 90.0 million was extended by one year, to June 2021. In December 2019, the existing credit agreement for the roll-over credit was revised and extended. Belfius was added to the existing bank consortium, and the roll-over credit was expanded from € 90.0 million to € 120.0 million. Of this, € 30.0 million can be drawn in a currency other than Euro. In December 2021, the maturity date of the roll-over credit was extended from December 2024 to December 2026, by exercising the two foreseen extension options. On 31 December 2021, there is no outstanding draw on this credit facility (2020: € 66.5 million).

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 2021, € 10.2 million of the term loans were outstanding (2020: € 20.3 million).

On 6 March 2012, the Group issued an unsubordinated bond in Belgium for € 75.0 million. The bonds mature in 7 years, and have a fixed annual gross interest of 4.75%. On 12 May 2015, Kinepolis Group NV announced the launch of an unconditional public exchange offer on all outstanding € 75.0 million fixed interest bonds with a gross interest of 4.75% and a maturity date on 6 March 2019. Holders of the existing bonds had the opportunity to exchange their existing bonds for new bonds to be issued by Kinepolis Group NV with a nominal value of € 1 000, a gross nominal interest of 4.0% per year and a term of 8 years, with maturity date on 9 June 2023 (the 'New Bonds'). Bonds with a total value of € 15.9 million were exchanged. € 59.1 million was repaid on 6 March 2019.

In January 2015, the Group also concluded a private placement of bonds with institutional investors for € 96.0 million: € 61.4 million was placed with a term of 7 years, € 34.6 million with a term of 10 years. A fixed annual gross interest is paid on both bonds. This private placement complies with the Group's financial strategy and serves to support expansion by increasing the diversification of the sources of financing and by refinancing the existing credits. In January 2022, € 61.4 million was repaid from available financial funds.

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

In July 2019, the Group concluded a private placement of bonds with institutional investors for € 225.0 million, with a term of 7.5 years. A fixed annual gross interest is paid on the bond. The private placement was mainly used to finance the various acquisitions in 2019, investments in the renovation of existing complexes and the construction of new complexes.

Throughout 2021 and 2020 the cinema industry and Kinepolis in particular were badly hit by the Covid-19 pandemic, resulting in cinema closures, capacity restrictions and postponements of Hollywood blockbuster releases. In order to be prepared for possible longer delays before the full resumption of its activities and to finance the ongoing investment programs in, among other things, new-build cinemas, Kinepolis has taken out an additional loan with its main bankers on 8 January 2021 of € 80.0 million for a period of 3 years, at a variable interest rate. Because of the strong balance sheet, the strong cost control measures, the solid real estate position and the back-up of an 80% state guarantee provided by Gigarant in Belgium, Kinepolis succeeded in concluding the additional credit at attractive commercial terms.

No securities were provided. Only a number of conditions apply with regard to the sale or the guarantee of certain of the Group's assets to a third party. Kinepolis is required to comply with conditions relating to, among others, the maximum debt ratio (covenants) on its bank debt. This relates to the roll-over credit of € 120.0 million (no outstanding draw per 31 December 2021) and a term loan of € 10.2 million per 31 December 2021. The new credit taken out at the beginning of January 2021 for an amount of € 80.0 million is also covered by these covenants. No covenants apply to the majority of the other debts. There is only an increase in interest on the private placement of 2019 if a specific debt ratio is exceeded.

The calculation of the covenants as well as the maximum or minimum values were adjusted during the revision of the credit agreement in 2019. The financial covenants consist of a maximum leverage ratio of 3.75, which temporarily increases to 4.25 in the case of a material acquisition, and a minimum interest coverage ratio of 4.5. In addition, there are a number of potentially restrictive commitments that restrict or prohibit certain trading transactions.

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

As a result of the Covid-19 pandemic, Kinepolis has reached an agreement with its financial institutions to allow a suspension of the credit covenants ('covenant holiday') until 30 June 2022. In 2020 a suspension was already obtained until 30 June 2021. This suspension means that, among other things, the conditions relating to the maximum debt ratio in relation to the EBITDAL, being EBITDA adjusted for lease, will be temporarily suspended until the half-year figures of 30 June 2022. Based on the current results and assumptions, the Group should be able to comply with its covenants as of 30 June 2022. However given the uncertainty associated with the pandemic, it has been decided to request an extension of the suspension from the banks until 31 December 2022, as a precautionary measure. This extension of the suspension until 31 December 2022 was obtained in March 2022.

These conditions, which only apply to bank debt, will be replaced by, among other things, a liquidity covenant, which means that the sum of the available cash and confirmed credit lines must be at least € 30.0 million during the term of this 'covenant holiday'. In line with the existing bank credit facilities, the additional credit of € 80.0 million provides for a number of conditions that limit the disposal of assets, acquisitions and the payment of dividends, above a financial debt level of 3.75.

The interest payable on term loans is calculated on the basis of the EURIBOR applicable for the selected borrowing period, plus the negotiated margin. The average interest rate of the debt portfolio on 31 December 2021 was 2.62% (2020: 2.62%). As the vast majority of the loans are at a fixed interest rate, no sensitivity analysis was performed for the remaining variable part.

FINANCIAL LIABILITIES – FUTURE CASH FLOWS

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

IN '000 €				2020				**2021**
	< 1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL	< 1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL
Private placement of bonds	12 256	201 176	299 958	513 390	74 781	363 967	66 885	505 633
Public bond	635	17 148		17 783	635	16 513		17 148
Trade payables	56 607			56 607	56 633			56 633
Loans and borrowings with credit institutions (1)	77 454	10 360		87 814	11 690	81 848		93 537
Bank overdrafts	112			112	12			12
Non-derivative financial liabilities	147 064	228 684	299 958	675 706	143 751	462 328	66 885	672 964
Interest rate swaps		87		87	28			28
Derivative financial instruments		87		87	28			28
TOTAL	**147 064**	**228 771**	**299 958**	**675 793**	**143 779**	**462 328**	**66 885**	**672 992**

(1) The roll-over credit, with an outstanding draw of € 66.5 million per 31 December 2020 is presented as current. This does not concern an actual payment obligation as the credit can be redrawn again.

In respect of interest-bearing financial liabilities with a variable interest rate, the following table gives an overview of the expected maturities:

IN '000 €	2020		2021	
	TOTAL	< 1 YEAR	TOTAL	< 1 YEAR
Loans and borrowings with credit institutions	86 756	76 599	90 157	10 157
Bank overdrafts	112	112	12	12
TOTAL	**86 868**	**76 711**	**90 169**	**10 169**

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 €	2020				2021			
	< 1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL	< 1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL
Interest rate swaps	5 949	5 907		11 856	5 907			5 907
TOTAL	**5 949**	**5 907**		**11 856**	**5 907**			**5 907**

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.

For 2021 and 2020 the fair value is in line with the carrying amount given the illiquidity of the market. This was also reflected in the attractive commercial terms of the new loan of € 80.0 million at the beginning of January 2021. For other non-derivative financial assets (loans and borrowings and receivables) and liabilities (measured at amortised cost) the fair value is equal to the carrying value.

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 €	2020		2021	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Private placement of bonds – fixed interest rate	446 000	446 000	446 000	446 000
Public bond – fixed interest rate	15 878	15 878	15 878	15 878
Interest-bearing loans – variable interest rate	86 756	86 756	90 157	90 157
Bank overdrafts	112	112	12	12
Transaction costs refinancing	-2 153	-2 153	-1 984	-1 984
TOTAL	**546 593**	**546 593**	**550 064**	**550 064**

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 €	2020		2021	
	NOMINAL VALUE	FAIR VALUE	NOMINAL VALUE	FAIR VALUE
Interest rate swap	11 856	-87	5 907	-28
TOTAL	**11 856**	**-87**	**5 907**	**-28**

The fair value of financial products related to the interest rates is determined by discounting the expected future cash flows, taking into account the current market interest rates and the interest rate curve for the remaining life of the instrument. There were no outstanding forward exchange contracts at 31 December 2021.

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

IN '000 €	2020			2021		
	ASSETS	LIABILITIES	NET VALUE	ASSETS	LIABILITIES	NET VALUE
Non-current		-87	-87		-28	-28
TOTAL		**-87**	**-87**		**-28**	**-28**

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	5 907		-28	Derivative financial instruments	59

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

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

IN '000 €	2020			2021		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Cash flow hedging – Currency						
Interest rate swaps		-87			-28	
TOTAL		**-87**			**-28**	

LEVEL 3 FAIR VALUES
Per 31 December 2021 there are no contingent considerations (2020: € 0.0 million).

27. Leases

LEASES AS LESSEE

The Group leases several sites, buildings, cars, equipment for in-theatre sales and projection equipment. If the contracts are classified as leases, they are recognised on the date on which the leased asset is available for use by the Group. On the one hand a right-of-use asset is recognised, which is depreciated on a straight-line basis over the lease term. On the other hand, a lease liability is recognised, that consists of future lease payments that are discounted at the Group's average interest rate for external financing.

The discount rate applied throughout 2021 is 2.62% (2020: 2.70%). The discount rate is updated on a yearly basis and will be applied to new leases or for changes to existing lease agreements which are to be measured at a revised discount rate.

When determining the term of a lease, extension options which will be executed with reasonable certainty at the start of the contract, are included in the lease liabilities. For the key category, land and buildings (cinema complexes), the Group applies as a general principle a term between 15 and 20 years. This term reflects the entity's reasonable expectation of the period during which the underlying asset will be used.

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

In the context of the acquisition of the Wolff Bioscopen group in 2014, the lease of the complex in Groningen (NL) was renegotiated for a period of 17 years. The lease obligation at the start of the new contract was determined by discounting the future lease payments of the Group on the basis of the marginal interest rate of the Group, as the implicit interest rate of the lease was not available. This debt amounted to € 5.8 million at 31 December 2021 (2020: € 6.3 million). Since the application of the standard IFRS 16: Leases, the finance lease is also included in Lease liabilities.

RIGHT-OF-USE ASSETS

IN '000 €	LAND AND BUILDINGS	CARS	IN-THEATRE SALES	PROJECTION EQUIPMENT	TOTAL
Acquisition value	415 351	4 674	1 026	3 549	424 599
Depreciations and impairment losses	-25 556	-1 276	-235	-319	-27 387
NET CARRYING AMOUNT AT 31/12/2019	**389 795**	**3 397**	**790**	**3 229**	**397 212**
New leases	24 674	910		40	25 624
Expired leases and disposals	-1 203	-77			-1 280
Transfer from other categories				85	85
Adjustments	-12 477	14			-12 463
Depreciations	-24 711	-1 575	-251	-512	-27 050
Effect of exchange rate fluctuations	-19 502		-47	-98	-19 647
Acquisition value	404 582	5 120	958	3 554	414 214
Depreciations and impairment losses	-48 006	-2 451	-466	-810	-51 733
NET CARRYING AMOUNT AT 31/12/2020	**356 576**	**2 669**	**492**	**2 744**	**362 481**
New leases		152	29	254	435
Expired leases and disposals	1				1
Adjustments	-4 051	352			-3 699
Depreciations	-25 108	-1 323	-274	-543	-27 248
Effect of exchange rate fluctuations	21 208		35	107	21 350
Acquisition value	424 744	5 062	1 070	3 954	434 830
Depreciations and impairment losses	-76 118	-3 212	-788	-1 392	-81 510
NET CARRYING AMOUNT AT 31/12/2021	**348 626**	**1 850**	**282**	**2 562**	**353 320**

LEASE LIABILITIES

IN '000 €	TOTAL
NET CARRYING AMOUNT AT 31/12/2019	**416 143**
New leases	27 324
Early terminated leases	-1 290
Interest	10 248
Repayment	-19 492
Forgiveness of lessee's lease payments	-7 540
Adjustments	-10 868
Effect of exchange rate fluctuations	-20 913
NET CARRYING AMOUNT AT 31/12/2020	**393 612**
New leases	181
Interest	10 323
Repayment	-22 922
Forgiveness of lessee's lease payments	-11 750
Adjustments	-2 401
Effect of exchange rate fluctuations	23 524
NET CARRYING AMOUNT AT 31/12/2021	**390 567**

At 31 December 2021, the Group has a lease liability of € 390.6 million (2020: € 393.6 million) and a right-of-use asset of € 353.3 million (2020: € 362.5 million). During 2021 the lease liabilities decreased with € 3.0 million and the right-of-use assets with € 9.2 million.

NEW LEASES

The new leases mainly consist of new leases concluded for RealD 3D equipment (€ 0.3 million), cars (€ 0.2 million) and in-theatre sales equipment (€ 0.0 million). This resulted in a total additional lease liability of € 0.2 million and an increase in right-of-use assets of € 0.4 million.

The RealD 3D equipment used by the Group is included under the right-of-use assets (€ 2.6 million). As these assets are fully prepaid, there is no outstanding lease liability for these assets.

(EARLY) TERMINATED LEASES

During 2021 some lease agreements have contractually ended. This concerns among others the lease for the Dawson Creek complex in Canada. The Group decided not to extend the lease and to close the complex as the maintenance investments required were disproportionate to the contribution to the turnover development of the Group. In addition, some leases related to cars have been terminated early throughout 2021.

ADJUSTMENTS

During 2021 a number of leases were adjusted, mainly due to changes to the contractual term or other adjustment such as indexations or new negotiations for future lease payments. In addition, the Group received investment contributions for contracts already started, which are deducted from the right-of-use assets for € 1.3 million. All this led to an adjustment of the lease liabilities of € -2.4 million and an adjustment of the right-of-use assets of € -3.7 million.

RENT CONCESSIONS AS A RESULT OF THE COVID-19 PANDEMIC

As a result of the Covid-19 pandemic, the Group has obtained rent concessions from the lessor for part of the lease agreements, mainly related to land and buildings.

If the rent concessions resulting directly from the Covid-19 pandemic meet the conditions, they are treated as if they were not lease modifications. For the conditions imposed, we refer to note 1. The rent concessions are then processed in the same way as a negative variable lease payment, and are therefore included in the income statement within 'Other operating income', as part of 'Operating result'. In 2021 the Group obtained € 11.8 million (2020: € 7.5 million) rent concessions. We refer to note 4.

IMPACT ON THE CONSOLIDATED RESULT AND THE STATEMENT OF CASH FLOW

Per 31 December 2021 the Group has € 27.2 million (2020: € 27.1 million) depreciations on right-of-use assets and € 10.3 million (2020: 10.2 million) interest on lease liabilities. The Group repaid € 22.9 million lease liabilities in 2021 (2020: € 19.5 million), of which € 10.3 million (2020: € 10.2 million) was interest. Without the rent concessions as a result of Covid-19, the repayment of lease liabilities as of 31 December 2021 would have been € 34.7 million (2020: € 27.0 million). In the consolidated statement of cash flow this can be found under 'Cash flow from financing activities'.

FINANCIAL LIABILITIES – FUTURE CASH FLOWS

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

IN '000 €				2020				2021
	< 1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL	< 1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL
NON-DISCOUNTED LEASE LIABILITIES	35 948	122 521	326 591	485 059	36 958	125 312	314 641	476 911

NOT INCLUDED UNDER IFRS 16

Exemption from recognition

The Group has decided to make use of the option of exemption of recognition under IFRS 16 for short-term leases and leases in which the underlying asset has a low value. The operational lease cost related to the exempt short-term leases amounts to € 0.0 million in 2021 (2020: € 0.0 million). Leases for which the underlying asset has a low value include cash recyclers. The operational lease cost related to these exempted leases amounts to € 0.1 million in 2021 (2020: € 0.1 million). This is classified in the consolidated statement of cash flow under 'Cash flow from operating activities'.

Variable lease liabilities

In addition, variable lease liabilities are also not recognised under IFRS 16. The total operational lease cost of this amounts to € 0.1 million in 2021 (2020: € 0.1 million). Variable lease liabilities in 2021 and 2020 have decreased significantly compared to 2019 (€ 0.9 million) as a result of the Covid-19 pandemic, as variable rent is mainly dependent on realised revenue and the number of visitors. This has led to the same outgoing cash flow that is classified in the consolidated statement of cash flow under 'Cash flow from operating activities'.

The main parameters of variable lease liabilities are the realised revenue and the number of visitors. The Group has performed a sensitivity analysis with possible changes in the variable lease liabilities, estimated on the basis of a theoretical volatility of both revenue and number of visitors to be able to estimate the future impact.

Since the number of visitors and revenue were impacted in 2021 and 2020 as a result of the Covid-19 pandemic, these are not considered as a comparable basis and 2019 is used as the basis for the sensitivity analysis. If the revenue and the number of visitors were to increase by 10% compared to 2019, the total operational lease cost of the variable lease liability would increase to € 1.5 million. If the revenue and the number of visitors were decreased by 10% compared to 2019, the total operational lease cost of the variable lease liability would decrease to € 0.5 million.

Lease commitments already entered into

As of 31 December 2021 the Group has not entered into any other lease commitments that impact the future outgoing cash flow.

Extension options

If the Group were to exercise all possible extensions options that it has available in the contracts as of 31 December 2021, there would be an additional cash outflow of non-discounted lease liabilities of € 268.8 million over the entire term of the included contracts. As of 31 December 2021, the Group is of the opinion that these additional extension options will not yet be exercised with reasonable certainty, as a result of which they are not included in the ending balance of the lease liabilities and the non-discounted lease liability. If the Group were to include only the contractually agreed extension options, the future cash outflow of the non-discounted lease liabilities would decrease from € 476.9 million to € 315.2 million.

LEASES AS LESSOR

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

IN '000 €	2020	**2021**
Less than one year	8 063	7 416
Between one and two years	4 688	3 998
Between two and three years	2 843	2 834
Between three and four years	2 060	1 753
Between four and five years	1 365	1 049
More than five years	2 379	2 949
TOTAL	**21 398**	**19 999**
Minimum lease payments in the income statement with regard to operational leases	8 035	6 821
Variable lease payments in the income statement with regard to operational leases	224	286

The leases as lessor primarily concern the cinema complex in Poznań (PL), leased to Cinema City since January 2007 for a period of 10 years, extended by 5 years. The rent consists of a fixed and variable portion, of which the variable rent is expressed as a percentage of Box Office revenue. As a consequence of the Covid-19 pandemic, no variable rent is applicable in 2021 and 2020.

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

In addition, the car parks of a number of complexes are leased out for a term of 1 to 15 years (renewable) or for an indefinite term in Belgium, for a period of 9 years or for an indefinite term in Luxembourg or for an indefinite term in Poland and France. A fixed rent is charged for part of these car parks. The revenue from the other car parks is variable, based on the number of parking tickets sold, adjusted for management expenses. The variable rent of the car parks is impacted by the Covid-19 pandemic in 2021 and 2020.

28. Capital commitments

At 31 December 2021, the Group has material capital commitments for € 0.8 million. This mainly concerns commitments for the installation of recliner seats in St. Catharines (CA) for € 0.5 million and commitments with regard to the construction and finishing of the new cinema Kinepolis Metz Amphithéâtre (FR) for € 0.3 million.

At the end of 2020, the Group had material capital commitments for € 12.1 million. This mainly concerned commitments with regard to the construction or finishing of new cinemas for € 10.6 million in Leidschendam (NL), South East Edmonton Tamarack (CA), and two complexes in the region of Metz (FR). Furthermore, this also related to the commitments for the installation of recliner seats in St. Catharines (CA) for € 1.3 million and 3D equipment in the cinemas for € 0.2 million.

29. Contingencies

KFD
At the end of 2021 the Group had unrecognised contractual obligations for € 1.9 million (2020: € 2.0 million). These are primarily minimum guarantee commitments of Kinepolis Film Distribution NV towards Dutch Filmworks BV and local producers for films that have not yet been released, but for which contractual obligations already exist.

30. Government grants and support measures

Government grants and support measures received as compensation for directly attributable costs are recognised as deductions from the related costs. General grants and support measures received from local governments are included under ‘Other operating income’.

GOVERNMENT GRANTS

In France, the Group receives grants from the Centre National du Cinéma et de l’image Animée (CNC) for cinema related investments. These grants come from a fund financed by a contribution from cinema operators in the form of a percentage of ticket sales.

The grants are recorded in the balance sheet as liabilities, and are recognised in the result over the useful life of the related assets. We hereby refer to notes 4 and 23. The grant can be claimed from the CNC in proportion to the number of visitors. We refer to note 15 for the outstanding receivables.

GOVERNMENT GRANTS AND SUPPORT MEASURES AS A RESULT OF THE COVID-19 PANDEMIC

As a result of the outbreak of the Covid-19 virus, governments, in the various countries where Kinepolis is active, and the CNC in France have taken support measures.

DIRECTLY ATTRIBUTABLE GRANTS AND SUPPORT MEASURES

The Group was able to make use of the system of economic unemployment in Belgium and Spain, and of the system of wage subsidies in France, the Netherlands, Luxembourg, Canada and Switzerland.

In the economic unemployment system, the wage cost does not have to be paid by the Company, but is paid directly to the employee by the government. By contrast, the wage cost in the wage subsidy system is first paid by the Company, and can subsequently be reclaimed from the government in whole or in part. We refer to note 5 for more information.
In Luxembourg, the Group received an additional allowance towards wage costs when employees remained employed during the Covid-19 pandemic. In Belgium, the Group obtained a compensation from the National Office for Social Security (NSSO) for the holiday pay of white-collar workers who were economically unemployed throughout 2020 as a result of the Covid-19 pandemic.

In Canada, as a result of the mandatory closure in the province of Ontario, the Group received a compensation for energy costs and a grant for property taxes. In addition, a rent subsidy was obtained in Canada, with part of the rent paid subsidised by the government. For Canada, this concerns a total amount of € 3.9 million. In France, the Group received an allowance in the form of a reduction of the property taxes and other local taxes (€ 0.7 million). In addition, due to various support measures, the Group obtained a deferral of payment, for example for local taxes, although more limited than in 2020.

GENERAL GRANTS AND SUPPORT MEASURES

The general support measures include grants as a result of the mandatory closure, reimbursements for fixed costs, grants for significant revenue loss, grants received from CNC and grants for the cultural sector. In 2021, the Group included € 10.3 million (2020: € 6.7 million) in ‘Other operating income’. We refer to note 4 for this.

The general support measures consist of:

IN ’000 €		2020	2021
Belgium	Globalisation premium	795	1 205
Belgium	Protection mechanism and nuisance premium	294	514
France	Grant received from CNC	491	2 967
France	Aid for fixed costs (‘*Aide coûts fixes*’)		2 236
France	Solidarity fund (‘*Fonds de solidarité*’)		758
France	Safeguard fund (‘*Fonds de sauvegarde*’)		477
France	Remission ‘*taxe spéciale additionelle*’ (TSA)	1 276	23
France	Grant for significant revenue loss	1 734	-348
France	Others		9
Spain	Grants from multiple regional governments	333	963
The Netherlands	Reimbursement fixed costs (TVL) and reimbursement entrepreneurs affected sectors (TOGS)	1 478	866
Luxembourg	Aid for costs not covered and others		367
Switzerland	Others	276	298
TOTAL		**6 677**	**10 337**

31. 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 €	2020	2021
Directors		
Remuneration	736	933
Executive officers (CEO)		
Short-term employee benefits	718	734
TOTAL	**1 454**	**1 668**

Under the Group's 2016 Stock Option Plan (Incentive Plan), no new options were granted to the Group's CEO, the Chairman and Vice-Chairman of the Board of Directors in 2021. They did participate in this in 2017 (180 000). We refer to the remuneration report in the Corporate Governance Statement and note 20 for more information.

TRANSACTIONS WITH OTHER RELATED PARTIES
Pentascoop NV provides a number of maintenance and transport services to the Group, for which it charged € 0.1 million in 2021 (2020: € 0.1 million).

32. Subsequent events

KINEPOLIS CONCLUDES NEW CP/MTN PROGRAMME AND EXTENDS THE COVENANT HOLIDAY
As a result of the impact of the Covid-19 pandemic, Kinepolis reached an agreement with its financial institutions at the beginning of 2021 to exempt its bank debt from covenants (a so-called covenant holiday) until 30 June 2022.

Kinepolis closed the year 2021 with a strong liquidity position, a recovery in profitability and solvency in the second half of the year and a decrease in the net financial debt, but applies the prudency principle and reached an agreement with its financial institutions to extend the covenant holiday until 31 December 2022.

This means that, among other things, the conditions regarding the maximum debt ratio in relation to EBITDAL will remain suspended until the end of 2022. These conditions, which apply solely to bank debt, have been replaced by, among other things, a liquidity covenant, which means that the sum of the available cash and confirmed credit lines must be at least € 30.0 million during the term of the covenant holiday.

Kinepolis Group NV has been a regular issuer in the debt capital markets. As part of its funding strategy, Kinepolis has put in place a new CP/MTN treasury notes programme of € 150.0 million. This programme provides the company with another tool to finance its business with maturities of minimum 7 days and maximum 10 years.

DISPOSAL OF TREASURY SHARES
By exercising stock options within the framework of the Share Option Plan 2016, 23 656 treasury shares were exercised during 2022 at an exercise price of € 41.55.
Per 23 March 2022, the total number of treasury shares amounts to 398 896.

33. Mandates and remuneration of the statutory auditor

The statutory auditor for the Company is KPMG Bedrijfsrevisoren, represented by Mr. F. Poesen.
The mandates and remunerations for the entire Group can be summarised as follows:

IN ’000 €	2020	2021
Remuneration of the statutory auditor	292	387
Other audit-related services	38	2
Other assignments outside the audit assignments	10	3
Remuneration for exceptional services or special assignments performed within the Company and its subsidiaries by the statutory auditor	48	5
Remuneration for persons associated with the statutory auditor for the performance of a mandate as statutory auditor	522	418
Tax advisory services	23	13
Other assignments outside the audit assignments	256 (1)	277 (2)
Remuneration for exceptional services and special assignments performed within the Company and its subsidiaries by persons associated with the statutory auditor	279	290
TOTAL	**1 141**	**1 099**

(1) Including a provision of K€ 230 for work not yet completed related to the NOW-audit.
(2) Including a provision of K€ 265 for work not yet completed related to the NOW-audit and TVL-attestation.

34. Group entities

LIST OF THE FULLY CONSOLIDATED COMPANIES

COUNTRY	NAME	MUNICIPALITY	VAT OR COMPANY REGISTRATION NUMBER	% 2020	% 2021
Belgium	Brightfish NV	Brussels	BE 0450 523 725	100	100
	Kinepolis Braine SA	Braine-L'Alleud	BE 0462 688 911	100	100
	Kinepolis Film Distribution (KFD) NV	Brussels	BE 0445 372 530	100	100
	Kinepolis Financial Services NV	Brussels	BE 0886 547 831	100	100
	Kinepolis Group NV	Brussels	BE 0415 928 179	100	100
	Kinepolis Immo Hasselt NV	Hasselt	BE 0455 729 358	100	100
	Kinepolis Immo Multi NV	Brussels	BE 0877 736 370	100	100
	Kinepolis Liège NV	Hasselt	BE 0459 469 796	100	100
	Kinepolis Mega NV	Brussels	BE 0430 277 746	100	100
	Kinepolis Multi NV	Kortrijk	BE 0434 861 589	100	100
Canada	Kinepolis Canada LTD	Calgary	CA 2020 757 353	100	100
	Landmark Cinemas Holding LTD	Calgary	CA 2020 757 536	99,02	99,30
	Landmark Cinemas Canada LP	Calgary	CA 2017 564 317	99,02	99,30
	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	% 2020	% 2021
The Netherlands	Kinepolis Immo BV	Utrecht	NL 003182794B01	100	100
	Kinepolis Rotterdam BV	Utrecht	NL 808810261B01	100	100
	Kinepolis Bioscopen Holding BV	Utrecht	NL 822624382B01	100	100
	Kinepolis Enschede BV	Utrecht	NL 808883574B01	100	100
	Kinepolis Groningen BV	Utrecht	NL 816165774B01	100	100
	Kinepolis Huizen BV	Utrecht	NL 820697230B01	100	100
	Kinepolis Exploitatie BV	Utrecht	NL 819683036B01	100	100
	Kinepolis UBOS BV	Utrecht	NL 856681866B01	100	100
	Kinepolis Immo Schagen BV	Utrecht	NL 815246353B01	100	100
	Kinepolis Cinemagnus Schagen BV	Utrecht	NL 815293446B01	100	100
	Kinepolis Immo Hoofddorp BV	Utrecht	NL 821608563B01	100	100
	Kinepolis Cinemeerse Hoofddorp BV	Utrecht	NL 821608666B01	100	100
	City Monumenten Utrecht BV	Utrecht	NL 002611375B01	100	100
	NH Haarlem BV	Utrecht	NL 855813593B01	100	100
	Cineschalkstad BV	Utrecht	NL 855814275B01	100	100
	Utopia Nederland BV	Almere	NL 804687237B03	100	100
	Utrechtse Film Onderneming 'Ufio' BV	Utrecht	NL 003182812B01	100	100
	Kinepolis Immo Spijkenisse BV	Utrecht	NL 810523358B01	100	100
	Kinepolis Spijkenisse BV	Utrecht	NL 800351575B01	100	100
Poland	Kinepolis Poznań Sp.z o.o.	Poznań	NIP 5252129575	100	100
Spain	Kine Invest SA	Pozuelo de Alarcon	ESA 824 896 59	100	100
	Kinepolis España SA	Pozuelo de Alarcon	ESA 814 870 27	100	100
	Kinepolis Granada SA	Pozuelo de Alarcon	ESA 828 149 55	100	100
	Kinepolis Jerez SA	Pozuelo de Alarcon	ESA 828 149 22	100	100
	Kinepolis Madrid SA	Pozuelo de Alarcon	ESA 828 149 06	100	100
	Kinepolis Paterna SA	Pozuelo de Alarcon	ESA 828 149 14	100	100
	Cines Llobregat SL	Madrid	NIF B651 443 70	100	100
	Cines El Punt SA	Madrid	NIF A621 222 21	100	100
United States	Kinepolis US INC	Michigan	EIN 61-1936179	100	100
	MJR Group LLC	Michigan	EIN 38-3367945	100	100
	MJR Sterling Heights LLC	Michigan	EIN 46-3910496	100	100
Switzerland	Kinepolis Schweiz AG	Schaffhausen	CH 2903013216-5	100	100

CHANGES IN THE CONSOLIDATION SCOPE

The participation of Kinepolis Group in Landmark Cinemas Holding LTD and Landmark Cinemas Canada LP increased from 99.02% to 99.30% in 2021 due to the acquisition of non-controlling interests, without changes in control.

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 2021

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 2021, as well as other legal and regulatory requirements. Our report is one and indivisible.

We were appointed as statutory auditor by the General Meeting of 8 May 2019, in accordance with the proposal of the board of directors issued on the recommendation of the audit committee and as presented by the workers' council. Our mandate will expire on the date of the General Meeting deliberating on the annual accounts for the year ended 31 December 2021. We have performed the statutory audit of the consolidated financial statements of the Group for 27 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 2021, 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 2021, the consolidated income statement, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flow and the consolidated statement of changes in equity and cash flows 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 1 195 078 (000) and the consolidated statement of profit or loss shows a loss for the year of EUR 25 506 (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 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

BASIS FOR OUR UNQUALIFIED OPINION

We conducted our audit in accordance with International Standards on Auditing ('ISAs') as adopted in Belgium. In addition, we have applied the ISAs as issued by the IAASB and applicable for the current accounting year while these have not been adopted in Belgium yet.

Our responsibilities under those standards are further described in the 'Statutory auditors' responsibility for the audit of the consolidated financial statements' section of our report. We have complied with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including the independence requirements.

We have obtained from the board of directors and the Company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of intangible assets, property, plant and equipment, right-of-use assets and goodwill

We refer to note 10 section 'Non-financial assets and business combinations' of the consolidated financial statements.

Description

As set out in note 10, 'Non-financial assets and business combinations', the Group performed an impairment assessment over intangible assets, property, plant and equipment ('PPE'), right-of-use assets and goodwill. This assessment was performed for each of the smallest groups of assets that generate largely independent cash flows (the cash-generating unit or 'CGU'). The Group has defined a CGU as the country. The Group determined the recoverable value of a CGU as the higher of its value in use ('VIU') which is based on discounted estimated future cash flows and its fair value less costs to sell as determined by an external valuation expert.

Intangible assets, property, plant and equipment ('PPE'), right-of-use assets and goodwill represent 86% of the Group's total assets as of 31 December 2021. Determining the amount of impairment losses to be recorded, if any, requires the Group to exercise significant judgment and make important assumptions, particularly in relation to:

- the determination of the Group's CGUs;
- the estimation of a CGU's value-in-use, including the estimation of future cash flows and the applicable discount rates.

Our audit procedures
With the assistance of our valuation specialists, we performed the following audit procedures:

- we evaluated the appropriateness of the accounting treatment used by management based on the relevant accounting standard (IAS 36 Impairment of Assets);
- we challenged management's assessment of potential indicators of impairment of intangible assets, property, plant and equipment ('PPE'), right-of-use assets and goodwill based on our own expectations developed from our knowledge of the Group and our understanding of internal and external factors relevant to the Group, the Group's business and the industry in which the Group operates;
- we challenged management's identification of CGUs with reference to our understanding of the Group's business and the requirements of the prevailing accounting standards;
- where a CGU required testing, we challenged key inputs and data used in the valuation model such as forecasted revenues, operating costs, maintenance capital expenditure, and respective weighted average cost of capital based on our knowledge of the business and the cinema industry. We assessed the Group's historical ability to forecast cash flows, and challenged the reasonableness of current forecasts given the future strategy of the Group and our understanding of the Group's past performance;
- we verified the mathematical accuracy of the discounted cash flow model;
- we performed sensitivity analyses on the respective weighted average cost of capital and the forecasted cash flows used by the Group to assess what change thereto would result in a different conclusion being reached, and assessing whether there were any indications of management bias in the selection of these assumptions; and
- we assessed the appropriateness of the Group's disclosures in respect of impairment of intangible assets, property, plant and equipment ('PPE'), right-of-use assets and goodwill as included in note 10 to the consolidated financial statements.

BOARD OF DIRECTORS' RESPONSIBILITIES FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS
The board of directors is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

STATUTORY AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS
Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these consolidated financial statements.

When performing our audit we comply with the legal, regulatory and professional requirements applicable to audits of the consolidated financial statements in Belgium. The scope of the statutory audit of the consolidated financial statements does not extend to providing assurance on the future viability of the Group nor on the efficiency or effectivity of how the board of directors has conducted or will conduct the business of the Group.
Our responsibilities regarding the going concern basis of accounting applied by the board of directors are described below.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also perform the following procedures:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by board of directors;
- conclude on the appropriateness of board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The board of directors is responsible for the preparation and the content of the board of directors' annual report on the consolidated financial statements, the statement of the non-financial information attached to the board of directors' annual report on the consolidated financial statements and the other information included in the annual report.

STATUTORY AUDITOR'S RESPONSIBILITIES

In the context of our engagement and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, the board of directors' annual report on the consolidated financial statements, the statement of the non-financial information attached to the board of directors' annual report on the consolidated financial statements and the other information included in the annual report, and to report on these matters.

ASPECTS CONCERNING THE BOARD OF DIRECTORS' ANNUAL REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

Based on specific work performed on the board of directors' annual report on the consolidated financial statements, as included in section 12 'Corporate Governance', 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:

- Section 1: Word from the Chairman and the CEO
- Section 3: Key figures and ratios
- Section 5: Kinepolis worldwide
- Section 8: Core activities
- Section 13: 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 section 11 'Impactful and responsible business' of the annual report. 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 the mentioned ISO260000.

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.

EUROPEAN SINGLE ELECTRONIC FORMAT (ESEF)

In accordance with the draft standard on the audit of compliance of the Financial Statements with the European Single Electronic Format (hereafter 'ESEF'), we have audited as well whether the ESEF-format is in accordance with the regulatory technical standards as laid down in the EU Delegated Regulation nr. 2019/815 of 17 December 2018 (hereafter 'Delegated Regulation').

The board of directors is responsible for the preparation, in accordance with the ESEF requirements, of the consolidated financial statements in the form of an electronic file in ESEF format (hereafter 'digital consolidated financial statements') included in the annual financial report.

It is our responsibility to obtain sufficient and appropriate information to conclude whether the format and the tagging of the digital consolidated financial statements comply, in all material respects, with the ESEF requirements under the Delegated Regulation.

In our opinion, based on our work performed, the format of and the tagging of information in the official Dutch version of the digital consolidated financial statements as per 31 December 2021, included in the annual financial report of Kinepolis Group NV, are, in all material respects, prepared in compliance with the ESEF requirements under the Delegated Regulation.

OTHER ASPECT

This report is consistent with our additional report to the audit committee on the basis of Article 11 of Regulation (EU) No 537/2014.

Antwerp, 1 April 2022

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises
Statutory Auditor
represented by

Frederic Poesen
Bedrijfsrevisor / Réviseur d'Entreprises

Condensed financial statements of Kinepolis Group NV

The following information is an extract from the statutory financial statements of Kinepolis Group NV, drawn up in accordance with the Belgian accounting principles. These statutory financial statements will be filed, together with the report of the Board of Directors to the General Shareholders Meeting and the auditor's report, 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 statutory financial 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 2021.

The statutory auditor's report is 'unqualified', and confirms that the statutory financial statements of Kinepolis Group NV, prepared in accordance with Belgian accounting principles for the year ending 31 December 2021, give a true and fair view of the financial position of Kinepolis Group NV in accordance with all legal and regulatory provisions.

The statutory 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 'Central Balance Sheet Office', subsection 'Consult' or can be requested free of charge from Investor Relations.

CONDENSED UNCONSOLIDATED BALANCE SHEET OF KINEPOLIS GROUP NV

IN '000 €	2020	**2021**
Non-current assets	**547 653**	**609 567**
Intangible assets	5 460	4 696
Property, plant and equipment	1 124	665
Financial fixed assets	541 069	604 206
Current assets	**34 818**	**48 912**
TOTAL ASSETS	**582 470**	**658 479**
Equity	**83 510**	**80 969**
Issued capital	18 952	18 952
Share premiums	1 154	1 154
Legal reserve	1 895	1 895
Unavailable reserves	14 817	20 825
Available reserves	7 050	7 050
Profit carried forward	39 641	31 092
Provisions and deferred taxes	**33**	**33**
Non-current loans and borrowings	**473 022**	**491 622**
Current loans and borrowings	**16 655**	**71 362**
Accrued charges and deferred income	**9 250**	**14 493**
TOTAL EQUITY AND LIABILITIES	**582 470**	**658 479**

CONDENSED UNCONSOLIDATED INCOME STATEMENT OF KINEPOLIS GROUP NV

IN '000 €	2020	2021
Operating income	17 369	30 837
Operating expenses	-53 696	-30 808
OPERATING RESULT	**-36 327**	**29**
Financial result	-23 609	-2 819
Current tax expenses	5 542	248
PROFIT / (LOSS) FROM THE FINANCIAL YEAR FOR APPROPRIATION	**-54 394**	**-2 542**

APPROPRIATION OF THE RESULTS OF KINEPOLIS GROUP NV

IN '000 €	2020	2021
Profit / (loss) from the fiscal year for appropriation	-54 394	-2 542
Profit carried forward from previous financial year	86 049	39 641
Transfer to / (from) equity:		
- to the unavailable reserves	-7 985	6 008
Profit to be carried forward	39 641	31 092

MANDATES AND REMUNERATION OF THE STATUTORY AUDITOR OF KINEPOLIS GROUP NV

IN '000 €	2020	2021
Remuneration of the statutory auditor(s) for the performance of a mandate as statutory auditor	172	265
Other audit-related services	38	2
Other assignments outside the audit assignments	6	3
Remuneration for exceptional services or special assignments performed within the Company by the statutory auditor(s)	45	5
Tax advisory services	24	13
Other assignments outside the audit assignments		3
Remuneration for exceptional services or special assignments performed within the Company by persons associated with the statutory auditor(s)	24	16
TOTAL	**240**	**286**

Reconciliations

ADJUSTMENTS

IN '000 €	2020	2021
EBITDA	-304	405
Depreciations, amortisations and impairment losses	-249	-1 181
Provisions	128	
Financial result	24	
Income tax expenses	-32	196
NET IMPACT OF ADJUSTMENTS	**-433**	**-580**

RECONCILIATION OF ADJUSTED RESULT

IN '000 €	2020	2021
Operating result	-65 663	-6 545
Financial result	-26 052	-28 362
Result before tax	**-91 715**	**-34 907**
Income tax expenses	22 604	9 401
Result for the period	**-69 111**	**-25 506**
Net impact of adjustments	433	580
ADJUSTED RESULT FOR THE PERIOD	**-68 678**	**-24 926**

RECONCILIATION OF EBITDAL

IN '000 €	2020	2021
EBITDA	17 188	72 667
Costs related to lease contracts (excl. rent abatements and common charges)	-31 169	-34 157
EBITDAL	**-13 981**	**38 510**

RECONCILIATION OF ADJUSTED EBITDAL

IN '000 €	2020	2021
EBITDAL	-13 981	38 510
Impact of adjustments on EBITDA	304	-405
ADJUSTED EBITDAL	**-13 677**	**38 105**

RECONCILIATION ADJUSTED EBITDA VS EBITDA

IN '000 €	2020	2021
Operating result	-65 663	-6 545
Depreciations and amortisations	80 442	81 031
Provisions and impairments	2 409	-1 819
EBITDA	17 188	72 667
Impact of adjustments on EBITDA	304	-405
ADJUSTED EBITDA	**17 492**	**72 262**

RECONCILIATION OF NET FINANCIAL DEBT

IN '000 €	2020	2021
Financial debt	940 204	940 631
Cash and cash equivalents	-33 007	-75 295
Tax shelter investments	-304	-304
NET FINANCIAL DEBT	**906 892**	**865 032**

RECONCILIATION OF NET FINANCIAL DEBT EXCL. LEASE LIABILITIES

IN '000 €	2020	2021
Financial debt excl. lease liabilities	546 593	550 064
Cash and cash equivalents	-33 007	-75 295
Tax shelter investments	-304	-304
NET FINANCIAL DEBT EXCL. LEASE LIABILITIES	**513 281**	**474 465**
Impact lease liabilities	393 611	390 567
NET FINANCIAL DEBT	**906 892**	**865 032**

RECONCILIATION FREE CASH FLOW

IN '000 €	2020	2021
Cash flow from operating activities	-16 166	84 409
Income taxes paid / received	-4 074	4 465
Maintenance capital expenditures for intangible assets, property, plant and equipment and investment property	-5 565	-2 819
Interest paid / received	-14 496	-15 534
Payment of lease liabilities	-16 152	-21 624
FREE CASH FLOW	**-56 453**	**48 897**

RECONCILIATION ROCE

IN '000 €	2020	2021
Operating result	-65 663	-6 545
Impact of adjustments on EBIT	425	776
Adjusted EBIT	**-65 238**	**-5 769**
Average non-current assets	1 123 082	1 088 376
Average deferred tax assets	-8 002	-19 295
Average assets classified as held for sale	884	
Average inventories	4 858	4 423
Average trade receivables	28 804	17 700
Average trade payables	-82 760	-56 620
Capital employed	1 066 866	1 034 583
RETURN ON CAPITAL EMPLOYED (ROCE)	**-6.1%**	**-0.6%**

RECONCILIATION ROCE EXCL. IFRS 16

IN '000 €	2020	2021
Operating result + IFRS 16 depreciations – costs related to lease contracts (excl. rent abatements and common charges)	-69 784	-13 454
Impact of adjustments on EBIT	425	776
Adjusted EBIT excl. IFRS 16	**-69 359**	**-12 678**
Average non-current assets excl. right-of-use assets	743 236	730 475
Average deferred tax assets excl. impact IFRS 16	-7 337	-15 220
Average assets classified as held for sale	884	
Average inventories	4 858	4 423
Average trade receivables	28 804	17 700
Average trade payables	-82 760	-56 620
Capital employed excl. IFRS 16	687 684	680 757
RETURN ON CAPITAL EMPLOYED (ROCE) EXCL. IFRS 16	**-10.1%**	**-1.9%**

RECONCILIATION CURRENT RATIO

IN '000 €	2020	2021
Current assets	71 059	115 447
Current liabilities	190 916	220 650
CURRENT RATIO	**0.37**	**0.52**

RECONCILIATION CURRENT RATIO EXCL. CURRENT LEASE LIABILITIES

IN '000 €	2020	2021
Current assets	71 059	115 447
Current liabilities excl. current lease liabilities	155 621	184 354
CURRENT RATIO EXCL. CURRENT LEASE LIABILITIES	**0.46**	**0.63**

RECONCILIATION CAPITAL EXPENDITURE ACCORDING TO THE STATEMENT OF CASH FLOW

IN '000 €	2020	2021
Acquisition of intangible assets	1 848	1 648
Acquisition of property, plant and equipment and investment property	43 372	15 406
Advance lease payments	40	254
Acquisition of subsidiaries, net of cash acquired	87	
Proceeds from sale of investment property, intangible assets and property, plant and equipment	-995	-1 579
TOTAL CAPITAL EXPENDITURE ACCORDING TO THE STATEMENT OF CASH FLOW	**44 352**	**15 730**

RECONCILIATION GEARING RATIO

IN '000 €	2020	2021
Net financial debt	906 892	865 032
Equity	126 496	120 649
GEARING RATIO	**7.17**	**7.17**

RECONCILIATION GEARING RATIO EXCL. LEASE LIABILITIES

IN '000 €	2020	2021
Net financial debt excl. lease liabilities	513 281	474 465
Equity	126 496	120 649
GEARING RATIO EXCL. LEASE LIABILITIES	**4.06**	**3.93**

Glossary and APMs

The glossary below also contains Alternative Performance Measures (APMs) that are aimed to improve the transparency of financial information.

Gross result
Revenue – cost of sales

Operating result (EBIT)
Gross result – marketing and selling expenses – administrative expenses + other operating income – other operating expenses

Adjusted operating result
Operating result after eliminating adjustments; is used to reflect the operating result from normal operating activities

EBITDA
Operating result + depreciations + amortisations + impairments + movements in provisions

EBITDAL
EBITDA less costs related to lease contracts (excl. rent abatements and common charges, these are already part of EBITDA and should therefore not be included in the deduction)

Adjusted EBITDA
EBITDA after eliminating adjustments; is used to reflect the EBITDA from normal operating activities

Adjustments
This category primarily includes results from the disposal of fixed assets, impairment losses on assets, provisions, costs from restructuring and acquisitions and other exceptional income and expenses

Financial result
Financial income – financial expenses

Effective tax rate
Income tax expenses / result before tax

Adjusted result
Result for the period after eliminating adjustments; is used to reflect the result from normal operating activities

Result for the period, share of the Group
Result attributable to equity holders of the Company

Basic result per share
Result for the period, share of the Group / (average number of outstanding shares – average number of treasury shares)

Diluted result per share
Result for the period, share of the Group / (average number of outstanding shares – average number of treasury shares + number of possible new shares that must be issued under the existing share option plans x dilution effect of the share option plans)

Dividend
Payment of the result of a company to its shareholders

Pay-out ratio
The pay-out ratio indicates which part of the net result is being paid to the shareholders

Capital expenditure
Capitalised investments in intangible assets, property, plant and equipment and investment property

Gross financial debt
Non-current and current financial liabilities

Net financial debt
Financial debt after deduction of cash and cash equivalents and tax shelter investments

Net financial debt excl. lease liabilities
Financial debt excluding lease liabilities after deduction of cash and cash equivalents and tax shelter investments

ROCE (Return on capital employed)
Adjusted EBIT / (average non-current assets – average deferred tax assets + average assets classified as held for sale + average trade receivables + average inventories – average trade payables)

Current ratio
Current assets / current liabilities

Free cash flow
Cash flow from operating activities – maintenance capital expenditures for intangible assets, property, plant and equipment and investment property – interest paid

Financial calendar 2022-2023

THURSDAY	WEDNESDAY	THURSDAY
28	11	18
Apr 2022	May 2022	Aug 2022
PUBLICATION BUSINESS UPDATE Q1 2022	GENERAL MEETING KINEPOLIS GROUP NV	PUBLICATION HALF-YEAR RESULTS 2022 PRESENTATION TO PRESS AND ANALYSTS

THURSDAY	THURSDAY
27	16
Oct 2022	Feb 2023
PUBLICATION BUSINESS UPDATE Q3 2022	PUBLICATION ANNUAL RESULTS 2022 PRESENTATION TO PRESS AND ANALYSTS

These dates are subject to change.

For adjustments to the financial calendar, please refer to the website:
WWW.KINEPOLIS.COM/CORPORATE

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