



# 2015

## ANNUAL REPORT

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In-theatre sales



Our people

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# 01 KEY FIGURES AND RATIOS

## KEY FIGURES

| NUMBER OF COMPLEXES <sup>(1)</sup> | BELGIUM | FRANCE | SPAIN | NETHERLANDS | LUXEMBOURG | OTHER (POLAND & SWITZERLAND) | TOTAL |
|------------------------------------|---------|--------|-------|-------------|------------|------------------------------|-------|
| 2016                               | 12      | 10     | 5     | 14          | 3          | 2                            | 46    |

| VISITORS (MILLIONS) <sup>(2)</sup> | BELGIUM | FRANCE | SPAIN | NETHERLANDS | LUXEMBOURG | SWITZERLAND | TOTAL |
|------------------------------------|---------|--------|-------|-------------|------------|-------------|-------|
| 2014                               | 9.0     | 6.2    | 3.6   | 0.8         |            | 0.1         | 19.7  |
| 2015                               | 9.2     | 6.4    | 4.4   | 1.7         | 0.3        | 0.1         | 22.1  |
| 2015 vs. 2014                      | 2.4%    | 4.0%   | 20.5% | 125.4%      | -          | 12.0%       | 12.5% |

| CONSOLIDATED INCOME STATEMENT (IN '000 €) | 2011          | 2012          | 2013          | 2014          | 2015          |
|-------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue                                   | 253 704       | 254 505       | 245 980       | 262 619       | 301 571       |
| EBITDA                                    | 74 562        | 72 252        | 75 006        | 71 303        | 88 739        |
| REBITDA                                   | 71 673        | 74 001        | 74 634        | 74 264        | 90 958        |
| Gross profit                              | 79 639        | 82 221        | 82 111        | 81 843        | 99 578        |
| Operating profit                          | 53 341        | 51 673        | 55 069        | 50 665        | 65 245        |
| Net finance expense                       | -3 169        | -5 859        | -5 998        | -4 295        | -7 754        |
| Profit before tax                         | 50 172        | 45 814        | 49 071        | 46 370        | 57 491        |
| <b>Profit</b>                             | <b>36 471</b> | <b>35 704</b> | <b>37 541</b> | <b>35 167</b> | <b>32 255</b> |
| <b>Current profit</b>                     | <b>35 195</b> | <b>37 405</b> | <b>37 395</b> | <b>35 589</b> | <b>43 207</b> |

| ANNUAL GROWTH RATES   | 2011         | 2012         | 2013        | 2014         | 2015         |
|-----------------------|--------------|--------------|-------------|--------------|--------------|
| Revenue               | 6.1%         | 0.3%         | -3.3%       | 6.8%         | 14.8%        |
| EBITDA                | 9.7%         | -3.1%        | 3.8%        | -4.9%        | 24.5%        |
| REBITDA               | 7.8%         | 3.2%         | 0.9%        | -0.5%        | 22.5%        |
| Gross profit          | 18.8%        | 3.2%         | -0.1%       | -0.3%        | 21.7%        |
| Operating profit      | 18.1%        | -3.1%        | 6.6%        | -8.0%        | 28.8%        |
| <b>Profit</b>         | <b>30.0%</b> | <b>-2.1%</b> | <b>5.1%</b> | <b>-6.3%</b> | <b>-8.3%</b> |
| <b>Current profit</b> | <b>25.5%</b> | <b>6.3%</b>  | <b>0.0%</b> | <b>-4.8%</b> | <b>21.4%</b> |

| CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IN '000 €) | 2011           | 2012           | 2013           | 2014           | 2015           |
|----------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Non-current assets                                       | 272 139        | 261 868        | 255 239        | 302 068        | 392 075        |
| Current assets                                           | 54 814         | 65 703         | 55 072         | 44 996         | 98 624         |
| <b>TOTAL ASSETS</b>                                      | <b>326 953</b> | <b>327 571</b> | <b>310 311</b> | <b>347 064</b> | <b>490 699</b> |
| Equity                                                   | 133 942        | 108 668        | 104 657        | 104 732        | 123 033        |
| Provisions and deferred tax liabilities                  | 18 110         | 21 466         | 20 525         | 18 352         | 27 029         |
| Non-current loans and borrowings                         | 38 502         | 81 709         | 87 917         | 91 471         | 214 000        |
| Current loans and borrowings and bank overdrafts         | 56 020         | 37 731         | 19 332         | 44 095         | 8 714          |
| Trade and other payables                                 | 72 649         | 72 949         | 70 487         | 79 651         | 97 090         |
| Other                                                    | 7 730          | 5 048          | 7 393          | 8 763          | 20 833         |
| <b>TOTAL EQUITY AND LIABILITIES</b>                      | <b>326 953</b> | <b>327 571</b> | <b>310 311</b> | <b>347 064</b> | <b>490 699</b> |

(1) Including Cinema City Poznań (Poland), operated by Cineworld and UGC Toison d'Or (Belgium) operated by UGC, Rouen (acquired in January 2016) and Kinepolis Dordrecht (opened in February 2016).

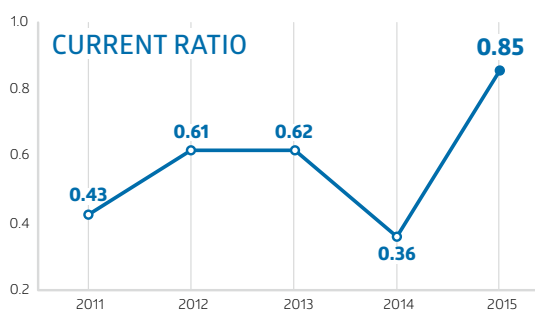
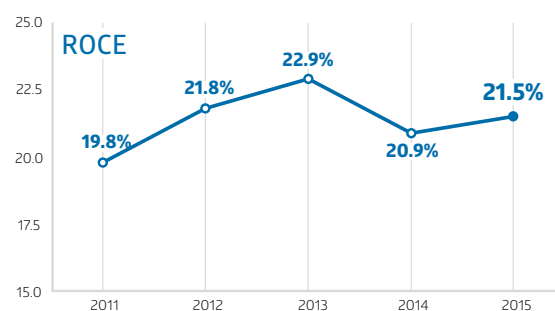
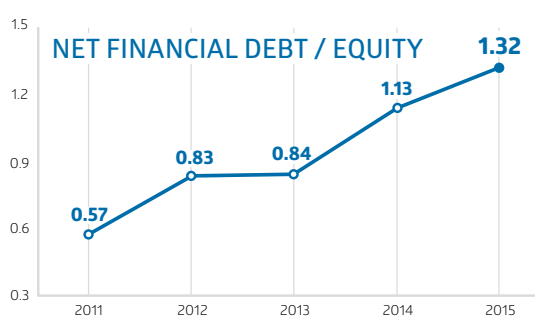
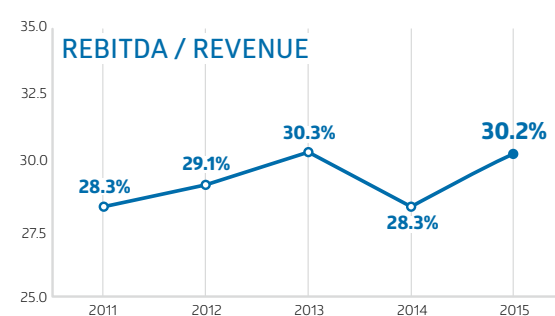
(2) Excluding Cinema City Poznań (Poland) and UGC Toison d'Or (Belgium).

| DATA PER SHARE <sup>(3) (4)</sup> | 2011 | 2012 | 2013 | 2014 | 2015  |
|-----------------------------------|------|------|------|------|-------|
| Revenue                           | 7.75 | 8.77 | 9.06 | 9.99 | 11.26 |
| EBITDA                            | 2.28 | 2.49 | 2.76 | 2.71 | 3.31  |
| Profit                            | 1.11 | 1.23 | 1.38 | 1.34 | 1.20  |
| Current profit                    | 1.07 | 1.29 | 1.38 | 1.35 | 1.61  |
| Equity share of the Group         | 4.03 | 3.75 | 3.85 | 3.89 | 4.59  |
| Gross dividend <sup>(5) (6)</sup> | 0.36 | 0.47 | 0.64 | 0.65 | 0.79  |
| Pay-out ratio                     | 30%  | 35%  | 45%  | 50%  | 50%   |

## RATIOS

| PROFITABILITY RATIOS       | 2011  | 2012  | 2013  | 2014  | 2015  |
|----------------------------|-------|-------|-------|-------|-------|
| EBITDA / Revenue           | 29.4% | 28.4% | 30.5% | 27.2% | 29.4% |
| REBITDA / Revenue          | 28.3% | 29.1% | 30.3% | 28.3% | 30.2% |
| Gross profit / Revenue     | 31.4% | 32.3% | 33.4% | 31.2% | 33.0% |
| Operating profit / Revenue | 21.0% | 20.3% | 22.4% | 19.3% | 21.6% |
| Profit / Revenue           | 14.4% | 14.0% | 15.3% | 13.4% | 10.7% |

| FINANCIAL STRUCTURE RATIOS            | 2011   | 2012   | 2013   | 2014    | 2015    |
|---------------------------------------|--------|--------|--------|---------|---------|
| Net financial debt                    | 76 501 | 90 200 | 88 141 | 118 645 | 162 008 |
| Net financial debt / EBITDA           | 1.03   | 1.25   | 1.18   | 1.66    | 1.83    |
| Net financial debt / Equity           | 0.57   | 0.83   | 0.84   | 1.13    | 1.32    |
| Equity / Total equity and liabilities | 41.0%  | 33.2%  | 33.7%  | 30.2%   | 25.1%   |
| Current Ratio                         | 0.43   | 0.61   | 0.62   | 0.36    | 0.85    |
| ROCE                                  | 19.8%  | 21.8%  | 22.9%  | 20.9%   | 21.5%   |



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

(4) In 2014 the data per share take into account the share split into five as from 1 July 2014.

(5) Calculation based on the number of shares entitled to dividend. For the periods 2011 up to 2013 split into five bearing in mind the share split as from 1 July 2014, in view of comparability.

(6) For the year 2014 there was paid a supplemental exceptional dividend of € 0.20 per share.

# 02 ANNUAL SUMMARY



Kinepolis Dordrecht (NL)



# Word from the Chairman and CEO's

Ladies and Gentlemen,

Dear shareholder, customer and employee,

2015 was a fantastic year for Kinopolis.

A successful expansion, the continued implementation of our strategic pillars and a strong film offer generated a significant increase in the number of visitors, sales and our net current result. Operating efficiency rose again, in both existing and acquired complexes.

The number of visitors rose by 12.5% to 22.1 million, mainly due to the acquisitions in The Netherlands, Spain, France and Luxembourg in 2014 and 2015. Here we would like to point out that the acquired Utopolis cinemas and the Bourgoin cinema contributed to the results for two and six months respectively in 2015. The rise is also explained by a strong film offer in all countries and recovering consumer confidence in Spain.

Total revenue rose by 14.8% to € 301.6, outpacing the rise in visitor numbers, due, among other things, to higher sales per visitor. The strong line-up of family films and blockbusters together with the corresponding success of premiums such as 3D, Laser Ultra and Cosy Seating made a large contribution to this result. All business activities except Kinopolis Film Distribution (KFD) were up.

Current EBITDA rose by 22.5% to € 91.0 million. This result was primarily due to the integration effects of acquired cinemas, the improvement in operating efficiency in all countries and higher sales per visitor fueled by the strong line-up of family films and blockbusters.

Current profit for the period was € 43.2 million, a rise of 21.4% compared to the previous year. After deduction of a one-off cost in connection with a possible claim following the decision of the European Commission on the Belgian Excess Profit Ruling (EPR), the Group reported a total profit of € 32.3 million, compared to € 35.2 million in 2014. We will decide on any legal steps we wish to take based on how this matter develops. It is essential that a company is able to operate in an environment characterized by legal certainty and a stable tax regime, at both national and European level.

The Board of Directors will again propose to the General Meeting of Wednesday 11 May 2016 a pay-out ratio of 50% of the current profit. With due consideration for the number of shares entitled

to dividend on the date of publication of this annual report, this means a gross dividend per share of € 0.79. This is a rise of 21.5% compared to 2014 (€ 0.65 per share).

Expansion continues to be high on the agenda. Kinopolis acquired no fewer than ten cinemas in 2015, and the first new-build complex in The Netherlands, Kinopolis Dordrecht, opened in February 2016. Work is ongoing on various new-build projects, including Breda, Utrecht and Brétigny-sur-Orge.

We also continue to invest in innovation and a peerless customer experience. Ten complexes are already equipped with Cosy Seating and the concept has been so successful that it will be rolled out in more complexes. We keep on investing in our digital marketing strategy, which enables us to work out an offering tailored to various target groups. We continue to expand our online and offline service, among other things with an e-shop for film boxes and an app that helps people with similar interests to go to the movies together.



Rouen Saint-Sever shopping center, where Kinopolis took over the operation of the cinema at the beginning of 2016.



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

The recent introduction of the in-house Innovation Lab also stimulates the generation of new ideas. The aim is to create a permanent culture of innovative thinking and cooperation.

The 2016 line-up looks very promising, including 'The Revenant', 'Zootopia', 'Batman vs. Superman: Dawn of Justice', 'Ice Age: Collision Course' and 'The Jungle Book'. In 2016 the recipe for success remains high-quality films together with further expansion

and continued investment in creating a unique customer experience and a varied offering.

Kinepolis would not be able to achieve its ambitious goals without the commitment and trust of its employees, movie lovers, partners, investors and other stakeholders. We would like to thank each and every one of them and assure them that we do everything we can to earn that trust every single day.

Eddy Duquenne  
CEO Kinepolis Group

Joost Bert  
CEO Kinepolis Group

Philip Ghekiere  
Chairman of the Board of Directors

# Kinepolis Group in brief

Kinepolis Group was formed in 1997 through the merger of two cinema groups and has been listed since 1998. Kinepolis Group stands for an innovative cinema concept, which serves as a pioneering model within the industry.

At the beginning of 2016 Kinepolis had 46 multiplexes in Belgium, France, Spain, The Netherlands, Grand Duchy of Luxembourg, Switzerland and Poland. In addition to its cinema operations, the Group is also active in film distribution, event organization, screen advertising and property management.

Every day, 2 300 employees devote themselves to ensuring that millions of cinema-goers have an unforgettable experience.

2015  
visitors  **22.1** mio +12.5%

seats  117 813

theatres  491

complexes  46 <sup>(5)</sup>

2014  
visitors  **19.7** mio

seats  99 506

theatres  398

complexes  35

2015 2014

 **0.3** mio -

 4 927 -

 22 -

 3 -

 **9.2** mio +2.4% **9.0** mio

 36 697 36 697

 148 148

 12 12

 **6.4** mio +4% **6.2** mio

 30 561 24 657

 120 87

 10 7

 **4.4** mio +20.5% **3.6** mio

 27 765 27 320

 91 91

 5 5

 **1.7** mio +125.4% **0.8** mio

 16 308 9 292

 84 46

 14 9

 **0.1** mio +12% **0.1** mio

 1 555 1 540

 8 8

 1 1

 18 18

 1 1

(1) Part of the property portfolio as of the publication date of this annual report and used for the cinema business or otherwise

(2) One complex is operated by UGC. The number of visitors and seats are therefore not included in the total.

(3) Operational since the beginning of 2016; the number of visitors is not included in the total.

(4) Run by the Cineworld group. The number of visitors and seats are therefore not included in the total.

(5) Including Cinema City Poznań (Poland), operated by Cineworld and UGC Toison d'Or (Belgium) operated by UGC, Rouen (acquired in January 2016) and Kinepolis Dordrecht (opened in February 2016).

# Kinepolis in Europe <sup>(1)</sup>



## Grand Duchy of Luxembourg

Esch-sur-Alzette  
Luxembourg City x2

## Belgium

|                            |                 |
|----------------------------|-----------------|
| Antwerp                    | Braine l'Alleud |
| Bruges                     | Kortrijk        |
| Brussels x2 <sup>(2)</sup> | Louvain         |
| Ghent                      | Liège x2        |
| Hasselt                    | Ostend          |

## France

|          |                                  |
|----------|----------------------------------|
| Lomme    | Nîmes x2                         |
| Longwy   | Rouen Saint-Sever <sup>(3)</sup> |
| Bourgoin | St-Julien-lès-Metz               |
| Mulhouse | Thionville                       |
| Nancy    |                                  |

## Spain

Alicante  
Madrid x2  
Granada  
Valencia

## The Netherlands

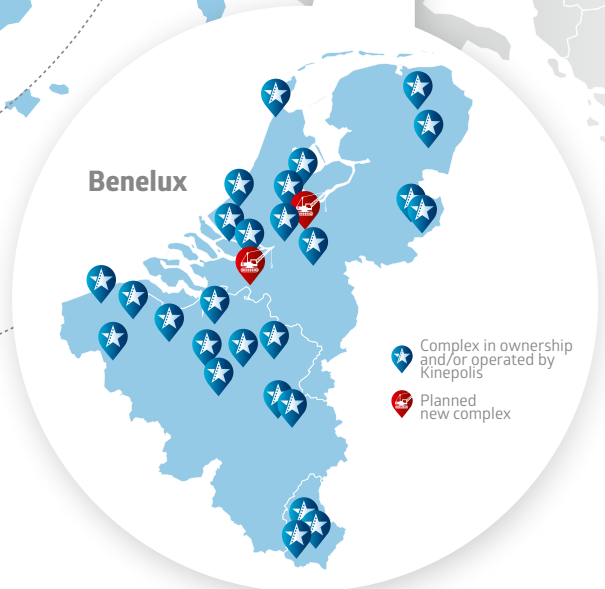
|                          |            |
|--------------------------|------------|
| Almere                   | Huizen     |
| Den Helder               | Nieuwegein |
| Dordrecht <sup>(3)</sup> | Oss        |
| Emmen                    | Rotterdam  |
| Enschede x2              | Utrecht x2 |
| Groningen                | Zoetermeer |

## Switzerland

Schaffhausen

## Poland

Poznań<sup>(4)</sup>



# Organization and strategy

## Our mission and strategy

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



### **KINEPOLIS WANTS TO BE THE BEST MARKETER**

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



### **KINEPOLIS WANTS TO BE THE BEST CINEMA OPERATOR**

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



### **KINEPOLIS WANTS TO BE THE BEST MARKETER**

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



Kinepolis Bruges (BE)



Kinepolis Enschede (NL)



Ladies at the Movies

## The ultimate movie experience

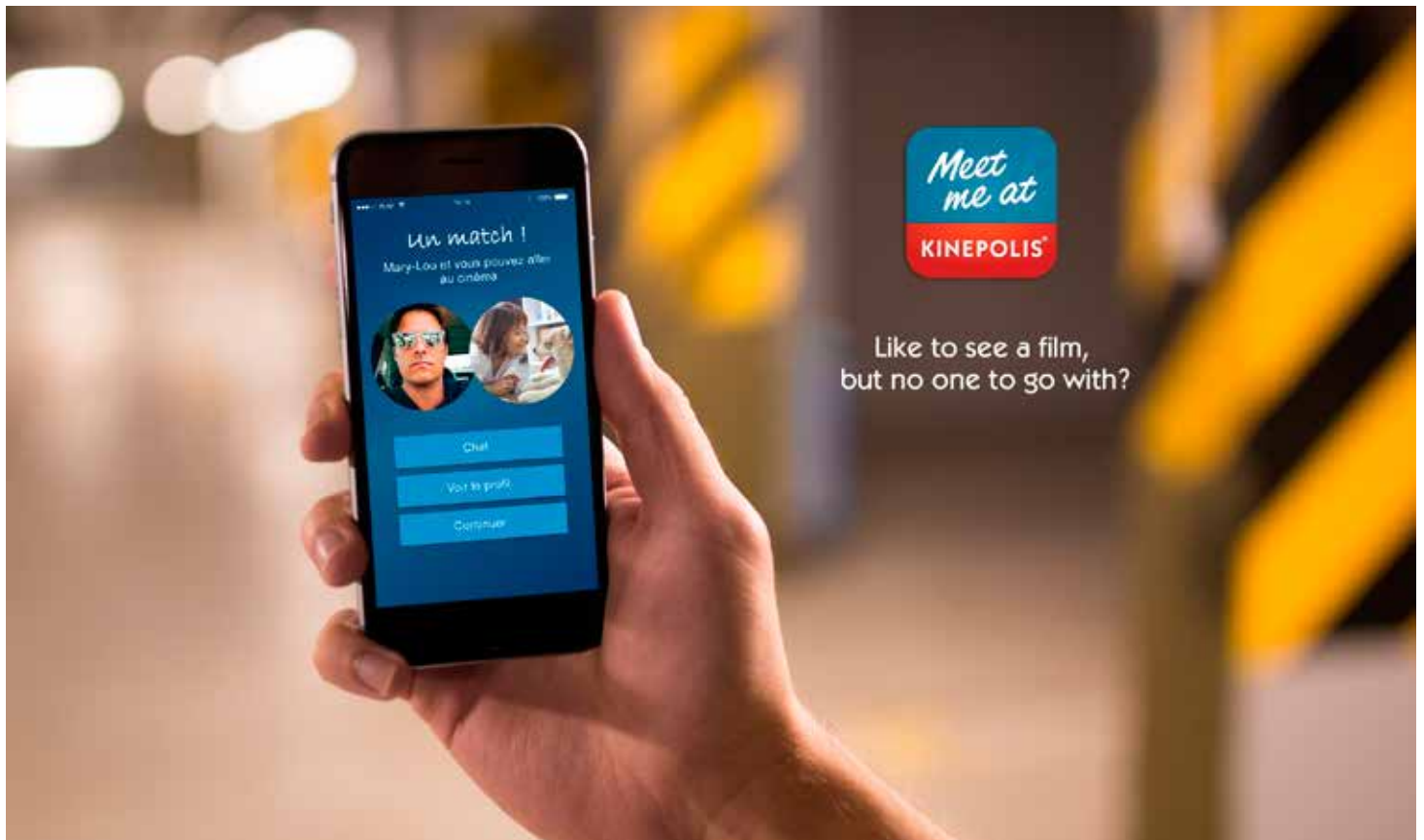


Global Achievement in Exhibition Award 2014

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



Top technical and logistical quality



Meet me at Kinepolis app

## The Kinepolis concept

### CUSTOMER-FOCUSED INNOVATION

Kinepolis sets trends and constantly invests in innovation and an optimal customer experience. In recent years this drive to innovate has led to the digitization of the cinema, seat reservations, the latest projection and sound technologies, mobile ticketing, trend-setting events and refreshing marketing approaches.



#### COSY SEATING

Since 2015, visitors to various Kinepolis cinemas can choose Cosy Seating. Cosy seats are even more comfortable, with wider armrests, a handy table for drinks and snacks and a coat hook.



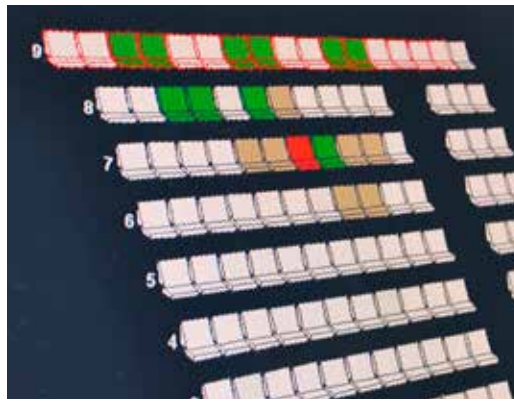
#### LASER ULTRA

With Laser ULTRA Kinepolis combines the unique image quality of Barco's latest laser projector with the immersive sound system of Dolby Atmos. Together, these two technologies give visitors an even more intense movie experience, a feeling that they are in the center of the action.





Kinepolis Dordrecht (NL)



Seat reservation



Choosing a film on a smartphone



Mobile ticketing

In addition to innovations to enhance the movie experience, Kinepolis also works hard to improve the pre- and post-movie experience, and constantly designs new shop and interior concepts (such as the Leonidas Chocolates Café).

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

As regards content, a permanent offering of eye-catching events and alternative content, such as art, opera and ballet, complements the traditional film programming.

### RELATIONSHIP MARKETING

As a film expert, Kinepolis is committed to providing the best possible response to the preferences of its visitors. Kinepolis is committed to offering the ultimate movie experience, based on a thorough understanding of its customers – making use of an innovative digital relationship marketing system – and a tailored offering. More than 2.5 million customers receive film and event recommendations via e-mail, based on their personal preferences.

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

### ACTIVE PROGRAMMING

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



### ETHNIC PROGRAMMING

In multicultural cities like Antwerp and Brussels, Kinepolis regularly programs films for a specific ethnic target group, such as Indian Bollywood blockbusters and Turkish hits. A Bollywood blockbuster attracts up to 5 000 visitors to Kinepolis cinemas in Belgium.



At Kinopolis the goal is to involve the customer even more and optimize the customer relationship.

## Our organization

The structure of Kinopolis Group is tailored to its geographic markets and is characterized by a flat organization in which decisions can be taken quickly. The organization is made up of five operating entities: Cinema operations, real estate, Kinopolis Film Distribution (KFD), Brightfish for screen advertising and Digital Cinema Services for technological support.

### CORE BUSINESSES

#### BOX OFFICE

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

#### IN-THEATRE SALES

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



Leonidas Chocolates Café, Kinepolis Antwerp (BE)

A large number of Kinepolis complexes now have a self-service shop (megacandy), which is a decisive factor in the success of ITS. The megacandy offer is complemented with specific local initiatives in each country or region. The coffee corner has been given a prominent place in the French Kinepolis complexes and an Ola Happiness Station and Leonidas Chocolates Café have been opened at Kinepolis Antwerp (Belgium). The Leonidas Chocolates Café serves the famous Belgian chocolates, as well as hot and cold beverages.

In line with the large selection of films, a varied range of snacks and beverages is offered to meet the tastes of each of the target groups. Kinepolis targets a unique experience, which also covers the time before and after the film.

### BUSINESS-TO-BUSINESS

Kinepolis' business-to-business (B2B) activity is built upon a privileged relationship with the business community and an innovative range. Since the digitization, with their advanced, flexible infrastructure, Kinepolis cinemas are also ideal B2B-venues for conferences, premieres and corporate events. Kinepolis' B2B teams launch and run campaigns in association with companies and stimulate the sale of events and cinema vouchers.

The cinema is also the ideal venue for companies that wish to raise their profile through targeted advertising campaigns. Screen advertising, sampling, product placement, advertising panels and digital screens in the foyers also play their part in that.



Kinepolis B2B





Sketch of Kinopolis Utrecht (NL)



Safety First premiere, Kinopolis Belgium



Star Wars premiere, Kinopolis Belgium

## FILM DISTRIBUTION

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

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

## SCREEN ADVERTISING

With the acquisition of advertising agency Brightfish at the end of 2011, Kinopolis launched a new core business in Belgium. The transaction triggered a consolidation on the Belgian screen advertising market and ensured a stable partner for the cinema industry. Brightfish offers a wide range of media channels in and around the cinema for everyone who wishes to communicate with cinema visitors in a targeted way.



## REAL ESTATE

Real Estate is a separate business unit within Kinopolis tasked with coordinating the management, utilization and development of the Group's real estate portfolio. Kinopolis owns the vast majority of its real estate, a situation that sets the Group apart from many other cinema operators. At the beginning of 2016 Kinopolis had a portfolio of 46 complexes, comprising 491 screens and more than 117 000 seats.

Over 62 000 m<sup>2</sup> is let to third parties. Footfall at these businesses (mostly shops and cafes) is generated by the presence of the Kinopolis cinema.

Kinopolis has a unique real estate position, a situation that sets it apart from many other cinema operators.



Kinopolis Braine l'Alleud (BE)



The Magic Forest, Madrid (ES)



Kinopolis Mulhouse (FR)



Teamwork



Client Focus



## Our people

2 300 employees devote themselves to ensuring that millions of cinema-goers have an unforgettable experience. The talent and engagement of those employees is the key to Kinopolis' success. Kinopolis wants to be a self-learning organization, which means that people are responsible for departmental targets and budgets, and are given the opportunity to show initiative and learn from each other. As an employer, Kinopolis aspires to get the best out of its employees, our motto is 'Plus est en Nous'.

### K VALUES

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

### KINEPOLIS ACADEMY

Kinopolis has launched a Talent Factory to identify talents in the company with an eye to development possibilities and fleshing out succession plans. Training is also an important aspect of the Human Capital philosophy. Kinopolis Academy helps employees improve their personal skills through e-learning, among other things. There are also personal coaching courses for managers through the Kinopolis University.



Plus est en  
Nous

The motto within the Kinepolis human resources policy: 'Plus est en Nous.'

## INNOVATION LAB

The world is evolving all the time, as is the behavior of current and potential Kinepolis visitors, the relevant market and the possibilities of responding to this. The Kinepolis Innovation Lab was created, based on the conviction that new, surprising ideas are the oxygen a company needs to remain successful and the realization that Kinepolis has more than 2 000 people in house and many of them may have some good ideas. The introduction of an Innovation Lab stimulates everyone at Kinepolis – from student to manager – to think outside the box and dare to be 'entrepreneurial'. Every quarter, the best ideas are selected and teams are put together to flesh them out and implement them. The Innovation Lab also ensures that employees work together more, regardless of their department.



**PARTICIPATE IN  
DEVELOPING YOUR  
KINEPOLIS!**

[innovationlab@kinepolis.com](mailto:innovationlab@kinepolis.com)



Sketch Kinepolis Breda (NL)

## Green Star, our sustainability project

Within a broad social context, Kinepolis prioritizes the potential ecological, cultural or social consequences of its operations. Kinepolis is conscious of its social role and possible impact on all interest groups. The Kinepolis sustainability project is known as 'Green Star'.

Green Star, in all its facets, carries increasing weight in the daily decision processes and operational management.



### ECOLOGICAL FOOTPRINT

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

A milestone in the sustainability project was the digitization of the projection systems, which made the chemical production of film and the transport of voluminous rolls of film superfluous. The increasing importance of online and mobile ticket sales also reduces the ecological impact of operations. Further on, various energy-saving measures have been taken, including the installation of LED lighting in the theaters and foyers, photo-luminescent row numbering and efficient heating systems. Water consumption has been reduced, among other things by the use of taps with optical sensor, and visitors are constantly asked to presort their rubbish.



Kinopolis Dordrecht (NL)



LED lighting

### EMPLOYEE SATISFACTION

Green Star is also about employee satisfaction. Kinopolis works to develop personal talents and teams and measures employee satisfaction every year (People Satisfaction Index, PSI). Kinopolis stimulates learning networks and as such also a working environment that revolves around feedback and entrepreneurship.

### SOCIOCULTURAL RESPONSIBILITY

Kinopolis is also conscious of its sociocultural responsibilities, with regard to both programming and facilities in its complexes. Facilitating wheelchair access and programming content that meet the wishes of cultural minorities are examples of how Kinopolis is working on integrating minorities even more. Kinopolis also supports various charities by sponsoring, patronage and benefit campaigns, or by stimulating social employment.

In 2015 Kinopolis supported various projects, including 'Wings for Life' and 'Zuidtag' in Belgium and 'Bio Kinderrevalidatie' in The Netherlands. Kinopolis is currently evaluating various systems to significantly improve the accessibility of its theatres for people with reduced vision or hearing. Furthermore, in 2015 ecological, social and environmental aspects were given the fullest consideration when developing various new-build projects.

Ecological, social and environmental aspects were given the fullest consideration in new-build projects.



# Expansion

Kinepolis wants to introduce its unique cinema concept in new markets and for new target groups to help create additional value towards all stakeholders. Over the past two years Kinepolis has taken some big steps in the implementation of its expansion strategy and has doubled the number of complexes in its portfolio. In 2015 Kinepolis entered the Luxembourg market, expanded significantly in The Netherlands and France and worked on various new-build projects. Investments were also made in strengthening the organization as part of the Group's expansion.



Kinepolis Dordrecht (NL)



Kinepolis Alcobendas, Madrid (ES)

2015 was another year characterized by expansion.

## SPAIN

In Spain, the complexes in Alcobendas (Madrid) and Alicante, acquired in 2014, were fully renovated. Both cinemas have been transformed into real Kinepolis cinemas that are focused on the customer experience.

## THE NETHERLANDS

In The Netherlands Kinepolis began construction of new complexes in Dordrecht, Breda and Utrecht Jaarbeurs in 2015. Combined, these three new-build projects comprise 30 screens and more than 6 200 seats. Kinepolis Dordrecht was opened in February 2016. Kinepolis Breda and Utrecht Jaarbeurs are scheduled to open in mid 2016 and early 2017 respectively. In the meantime, the acquired Wolff complexes in Enschede and Groningen have also been thoroughly renovated in line with the Kinepolis concept.

## FRANCE

In early July 2015 Kinepolis acquired the Mégaroyal cinema in Bourgoin, near Lyon. With 12 screens and 2 100 seats, Mégaroyal was one of the biggest independent cinemas in France. Kinepolis Bourgoin, as Mégaroyal will soon be renamed, is the first Kinepolis cinema in the region.



Kinopolis Enschede (NL)

Kinopolis also moved into Normandy. In early 2016 Kinopolis acquired a cinema in the Rouen Saint-Sever shopping center. The opening of the new complex in Brétigny-sur-Orge, near Paris, is scheduled for early 2017. This brand-new Kinopolis multiplex will have ten screens and 1 530 seats.

## UTOPOLIS

At the end of 2015 Kinopolis Group acquired Utopolis (Utopia SA), excluding the Belgian complexes. The acquisition comprised nine cinemas in three countries, The Grand Duchy of Luxembourg (3), The Netherlands (5) and France (1). The acquisition of the four Belgian Utopolis cinemas (Mechelen, Turnhout, Aarschot and Lommel) is subject to the approval of the Belgian Competition Authority and the decision had not been announced when this report was approved by the Board of Directors.

Kinopolis acquired three complexes in The Grand Duchy of Luxembourg (two in Luxembourg City and one in Esch-sur-Alzette), five in The Netherlands (Oss, Almere, Zoetermeer, Den Helder and Emmen) and one in France (Longwy).



Utopolis Longwy (FR)

Utopia SA primarily ran multiplexes and owned the real estate housing several of its multiplexes, as Kinopolis does. In 2014 Utopia SA welcomed 2.3 million visitors in The Grand Duchy of Luxembourg, The Netherlands and France, generating sales of € 28.3 million and EBITDA of € 4.9 million. The acquisition enabled Kinopolis to strengthen its position in France and The Netherlands and with Luxembourg, add a new market to its portfolio.

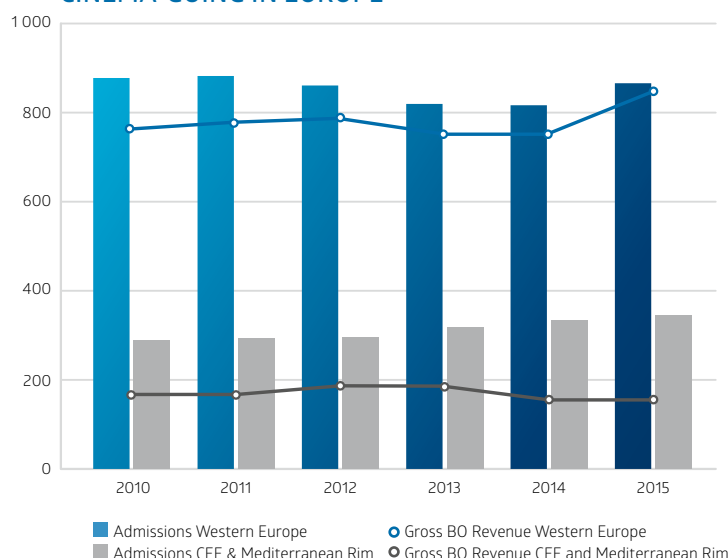
# General market information <sup>(1)</sup>

In Europe the visitor numbers increased by 5.2% in 2015 compared to the previous year. Western Europe (18 countries) posted the biggest increase (+6.1%) with 866.0 million visitors in 2015, compared to 816.5 million visitors in 2014. In Eastern and Central Europe and the Mediterranean Rim (14 countries) total visitor numbers increased from 334.5 million in 2014 to 344.5 million in 2015.

The Western European countries with the greatest rise in visitor numbers in 2015 were Portugal (+20.4%), Finland (+20.3%), Denmark (+15.8%) and Luxembourg (+15.0%). In Eastern Europe, Estonia (+19%), Hungary (+18.3%) and Romania (+18%) were the biggest risers compared to the previous year. The European countries with a decrease in 2015 compared to 2014 were Turkey (-1.5%), France (-1.4%), Russia (-0.2%) and The Netherlands (-0.2%).

The leading digital cinema groups in Europe have a 17.2% share of the European market, with 6 093 screens. Odeon/UCI Cinemas Group has 6.3%, followed by Cineworld/Cinemacity (consolidated since January 2014) at 5.7% and Vue Entertainment at 5.2%.

## CINEMA-GOING IN EUROPE <sup>(1)</sup>



|                                                       | 2010             | 2011             | 2012             | 2013             | 2014             | 2015             |
|-------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Total admissions in Europe (in '000)</b>           |                  |                  |                  |                  |                  |                  |
| Admissions Western Europe                             | 877 726          | 882 227          | 860 903          | 819 517          | 816 541          | 865 959          |
| Admissions CEE and Mediterranean Rim                  | 287 705          | 292 044          | 294 751          | 317 143          | 334 461          | 344 543          |
| <b>TOTAL</b>                                          | <b>1 165 431</b> | <b>1 174 271</b> | <b>1 155 654</b> | <b>1 136 660</b> | <b>1 151 002</b> | <b>1 210 502</b> |
| <b>Gross Box Office Revenue in Europe (in '000 €)</b> |                  |                  |                  |                  |                  |                  |
| Gross BO Revenue Western Europe                       | 6 126 808        | 6 251 552        | 6 351 507        | 6 023 719        | 6 047 085        | 6 797 547        |
| Gross BO Revenue CEE and Mediterranean Rim            | 1 338 733        | 1 349 723        | 1 509 749        | 1 503 639        | 1 251 143        | 1 240 055        |
| <b>TOTAL</b>                                          | <b>7 465 541</b> | <b>7 601 275</b> | <b>7 861 256</b> | <b>7 527 358</b> | <b>7 298 228</b> | <b>8 037 602</b> |
| <b>Average ticket prices (€)</b>                      |                  |                  |                  |                  |                  |                  |
| ATP Western Europe                                    | 6.98             | 7.09             | 7.38             | 7.35             | 7.41             | 7.85             |
| ATP CEE and Mediterranean Rim                         | 4.65             | 4.62             | 5.12             | 4.74             | 3.74             | 3.60             |
| <b>TOTAL</b>                                          | <b>6.41</b>      | <b>6.47</b>      | <b>6.8</b>       | <b>6.62</b>      | <b>6.34</b>      | <b>6.64</b>      |

(1) Source: Mediasalles.it and individual cinema group websites

# 2015 at a glance

## 2015



# 03 MANAGEMENT REPORT



Kinepolis Antwerp (BE)



## Discussion of the results

**A strong film offer, a successful expansion and the continued implementation of its strategic pillars resulted in a fantastic year for Kinepolis, with a strong increase in the number of visitors, sales and the net current result. The expansion is going to plan. Both the existing and acquired complexes contributed to the continued optimization of operating efficiency and the improvement of all ratios.**

In 2015 Kinepolis welcomed 12.5% more visitors than the previous year, mainly due to the acquisitions in The Netherlands, Spain, France and Luxembourg in 2014 and 2015. The acquired Utopolis cinemas and the cinema in Bourgoin, France, contributed to the results for two and six months respectively in 2015. A strong film offer in all countries and recovering consumer confidence in Spain also contributed to the rise in the number of visitors. There was an exceptionally strong film offer in 2015 with both solid Hollywood productions (including 'Star Wars: The Force Awakens', 'Minions', 'Jurassic World' and 'Spectre') and successful local films, including 'FC De Kampioenen 2: Jubilee General' and 'Safety First' in Flanders, 'Michiel de Ruyter' and 'Gooische Vrouwen 2' in The Netherlands and 'Ocho Apellidos Catalanes' in Spain. In France the local films (including 'La Famille Bélier') could not match the big success of 'Supercondriaque' and 'Qu'est-ce qu'on a fait au bon Dieu' in 2014.



Safety First

Total revenue (+14.8%) grew faster than visitor numbers, due among other things to an increase in the revenue from ticket sales (Box Office, BO) and In-theatre sales (ITS) per visitor. The strong line-up of family films and blockbusters together with the corresponding success of premium offers as 3D and Cosy Seating made a large contribution to this rise. The country mix, with a higher share for The Netherlands, also had a positive impact on the average BO and ITS revenue per visitor.

B2B revenue increased due to more income from events and the sale of cinema cheques to companies as well as the higher revenue from screen advertising in all countries except Belgium.

Real estate revenue also increased, due among other things to the Group's expansion and the success of concessions managed in-house, such as the Leonidas Chocolates Café and the Ola Happiness Station in Antwerp.

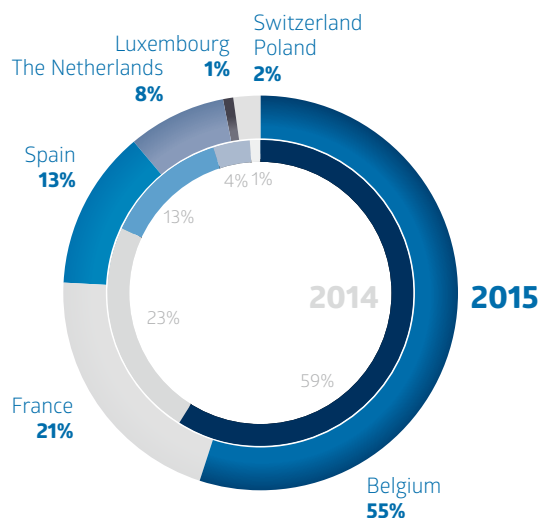
Kinepolis Film Distribution (KFD) performed strongly in the second half of the year with 'Black' and 'Safety First' among other films, but was unable to offset the lack of local releases in the first half of the year and the success of 'The Wolf of Wall Street' in early 2014.

Current EBITDA rose by 22.5% to € 91.0 million. This result was primarily due to the integration effects of acquired complexes, improved operating efficiency in all countries and higher sales per visitor fueled by the strong line-up of family films and blockbusters.

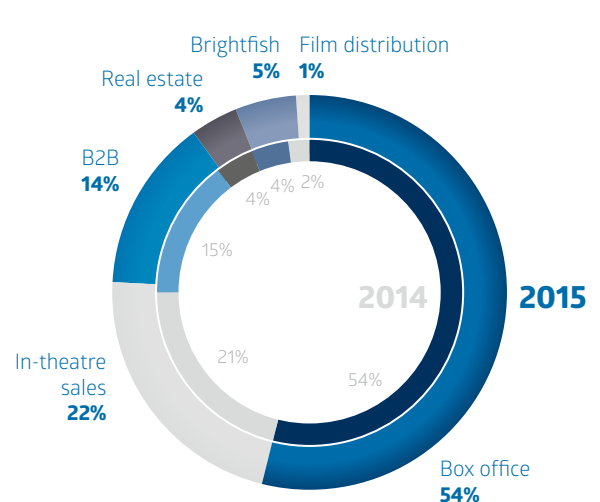
## REVENUE

Total revenue in 2015 was € 301.6 million, 14.8% higher than in 2014. Revenue rose faster than visitor numbers (+12.5%), as a consequence of the higher revenue per visitor and the rise in B2B (+12.7%) and real estate revenue (+14.4% at fixed exchange rates), partly offset by the disappointing revenue of KFD (-27.3%).

Revenue by country in 2015 vs. 2014



Revenue by activity in 2015 vs. 2014





Revenue from ticket sales (Box Office, BO) increased by 16.2% and the revenue from food and beverages (In-Theatre Sales, ITS) by 18.9%. BO revenue per visitor rose by 3.3% and ITS revenue per visitor rose by 5.7%. Sales per visitor increased in all countries.

The **Box Office revenue** increased by 16.2% to € 163.6 million, thanks to the rising visitor numbers, the rising sales per visitor in all countries and to a limited degree the changed country mix due to the expansion. Belgium's lower share in the country mix was offset by the addition of The Netherlands and Luxembourg, both cinema markets with higher than average sales per visitor. The success of premium offers such as Laser Ultra and 3D also contributed to the rise in revenue per visitor. The increase in the number of visitors (+12.5%) is mainly due to the expansion and strong international films in the fourth quarter.

The top 5 films in 2015 were 'Star Wars: Episode VII-The Force Awakens', 'Minions', 'Jurassic World', 'Spectre' and 'Fast & Furious 7'. The most successful local films were 'FC De Kampioenen 2: Jubilee general' and 'Safety First' in Belgium, 'Les nouvelles aventures d'Aladin' and 'La Famille Bélier' in France, 'Gooische Vrouwen 2' and 'Michiel de Ruyter' in The Netherlands and 'Ocho Apellidos Catalanes' and 'Atrapa la Bandera' in Spain.

**In-theatre sales** increased by 18.9% due to higher visitor numbers and revenue per visitor in all countries, resulting from the higher share of commercial films compared with the previous year. The addition of The Netherlands, where ITS per visitor is above average, also contributed to the higher revenue per visitor.

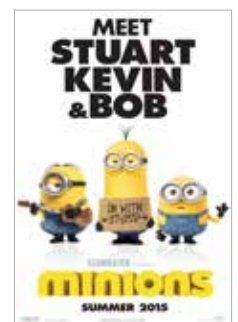
Total revenue in 2015 was € 301.6 million, 14.8% higher than in 2014.

**B2B revenue** increased by 12.7% due to more events, higher sales of cinema vouchers to businesses and a rise in revenue from screen advertising.

**Real estate revenue** rose by 14.4% at fixed exchange rates due to the expansion, the addition of the rental income from the 'Toison d'Or' building and more income from concessions managed in-house (such as the Magic Forest, the Ola Happiness Station and the Leonidas Chocolates Cafe).

The revenue from **Kinepolis Film Distribution (KFD)** fell by 27.3% due to the lack of local releases in the first half of the year and the success of 'The Wolf of Wall Street' in 2014, despite a strong fourth quarter.

**Brightfish** generated 7.3% more revenue, mainly due to the strong increase in events with partners. The revenue from screen advertising decreased due to lower revenue from national campaigns.



Minions



Jurassic World



Spectre

## REBITDA

Current EBITDA (REBITDA) rose by 22.5% to € 91.0 million and the REBITDA margin rose from 28.3% to 30.2%, due in part to improved operating efficiency. REBITDA per visitor also rose because of this by 8.9%, partly due to higher sales per visitor but partly offset by the addition of leased complexes and the changed country mix.

## PROFIT FOR THE PERIOD

Current profit for 2015 was € 43.2 million, a rise of 21.4% compared to 2014 (€ 35.6 million). This was the consequence of the higher REBITDA, partly offset by higher depreciations, financial expenses and taxes.

Total profit was € 41.6 million, compared to € 35.2 million in 2014, an increase of 18.3%. After deduction of a one-off cost in connection with the Excess Profit Ruling (EPR), total profit was € 32.3 million, compared to € 35.2 million in 2014, a decrease of -8.3%.

The most important non-recurring items in 2015 were the one-off cost for an uncertain tax position with regard to the EPR (€ -9.4 million), transformation and expansion costs (€ -1.8 million) and a number of other costs (€ -0.6 million). The taxes on these non-recurring items were € 0.8 million.

The most important non-recurring items in 2014 were transformation and expansion costs (€ -2.8 million), a fair value adjustment of the contingent consideration of Wolff Bioscopen (€ 1.4 million), the use of transformation provisions (€ 0.8 million) and a number of other costs (€ -0.6 million). The taxes on these non-recurring items were € 0.8 million.

Net financial debt rose by € 3.5 million or 80.5% to € 7.7 million. This was the consequence of the pre-financing of planned expansion projects, in line with the Group's cautious financial policy and a one-off revenue in 2014 of € 1.4 million with regard to the fair value adjustments of the contingent considerations.

The effective tax rate was 27.6% compared to 24.2% in 2014, primarily due to the rise in taxable profit and the new accounting treatment of tax shelters, partly offset by the fall in the tax rate in Spain from 30% to 25% and relatively more profit from foreign operations, taxed at a more favorable level. Including the one-off tax with regard to the EPR, the effective tax rate was 43.9%.

Profit per share excluding EPR was € 1.55. This is 15.7% higher than in 2014. Profit per share including EPR was € 1.20.

## FREE CASH FLOW AND NET FINANCIAL DEBT

The free cash flow was € 66.0 million compared to € 51.7 million in 2014.

The higher free cash flow was due to higher EBITDA, adjusted for non-cash items (€ +17.3 million) and a number of non-recurrent items in 2014 and 2015 (€ +1.4 million), lower maintenance payments (€ +1.3 million), partly offset by higher taxes (€ -4.7 million) and working capital movements (€ -0.9 million).

The free cash flow after expansion investments, dividends and share buybacks was € -36.0 million, € 17.4 million lower than the previous year, due to a € 6.2 million rise in dividend payments, a € 51.9 million rise in investments in internal expansion and acquisitions, partly offset by a € 26.5 decrease in share buybacks.



FC De Kampioenen 2:  
Jubilee general



Star Wars: Episode VII  
The Force Awakens

In 2015 capital expenditure was € 93.8 million, € 50.6 million more than in 2014. This is the consequence of the purchase of the cinema building in Enschede (The Netherlands), the ongoing investments with regard to the building of new complexes in Dordrecht, Breda and Utrecht (The Netherlands), the new front-office software, the installation of Cosy Seating in five complexes, the renovation of Kinepolis Alcobendas (Madrid, Spain) and Plaza Mar 2 (Alicante, Spain) and the acquisition of Mégaroyal (Bourgoin, France) and the acquisition of Utopolis in The Netherlands, France and Luxembourg.

The net financial debt was € 162.0 million at 31 December 2015, a rise of € 43.4 million compared to the end of 2014 (€ 118.6 million). Due to significant cash generation the NFS/EBITDA ratio only nudged up slightly from 1.7 to 1.8 at 31 December 2015.

The total gross financial debt decreased by € 86.8 million to € 222.8 million at 31 December 2015 compared to 31 December 2014 (€ 136.0 million).

## BALANCE SHEET

Fixed assets (€ 392.1 million) represented 79.9% of the balance sheet total at 31 December 2015 (€ 490.7 million). This includes land and buildings (including investment property) with a carrying amount of € 259.5 million.

At 31 December 2015 equity was € 123.0 million. The actual tax rate was 25.1%, compared to 30.2% in 2014.

## DIVIDEND OF € 0.79 PER SHARE

The Board of Directors will again propose to the Annual General Meeting of 11 May 2016 a pay-out ratio of 50% of the current profit. With due consideration for the number of shares entitled



Saint-Sever shopping center, Rouen (FR)

to dividend on the date of publication of this annual report, which is 27 195 351, this means a gross dividend per share of € 0.79. This is a rise of 21.5% compared to 2014 (€ 0.65 per share). The dividend will be made available from 17 May 2016 (ex date: 13 May 2016, record date: 16 May 2016).

## KEY EVENTS AFTER THE END OF THE FISCAL YEAR 2015

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

The first new-build Kinepolis complex in The Netherlands was officially opened on 17 February 2016. Kinepolis Dordrecht has six screens and 1 200 seats, and catches the eye with its unusual architecture and waterside location.

On 11 January 2016 the European Commission published its decision that the Belgian tax ruling with regard to excess profit is contrary to European rules on state aid. The decision of the European Commission imposes on the Belgian state the obligation to reverse tax breaks granted in the past and claim the difference from the companies in question. Please see note 8 to the Consolidated Financial Statements for more details.

# Corporate Governance Statement

Pursuant to the Belgian Corporate Governance Code of 12 March 2009 (hereinafter the 'Code'), the stipulations of which Kinopolis Group NV subscribes to, the Board of Directors approved on 18 November 2014 a revised version of the Corporate Governance Charter of Kinopolis Group NV. The Charter can be consulted at the Kinopolis Investor Relations website.

In this chapter of the annual report more factual information is provided on the Corporate Governance policy pursued in the fiscal year 2015, together with an explanation of the deviations from the Code in accordance with the 'comply or explain' principle.

## SHARE CAPITAL

Authorized capital at 31 December 2015 was € 18 952 288.41.

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

After the buyback in 2015 of a further 29 339 treasury shares under the authorization given by the Extraordinary General Meeting of 19 October 2012 (to buy back 5 856 505 shares for cancellation), the delivery of 1 314 370 shares (after the share split in five on 1 July 2014) within the framework of the exercise of options, on 31 December 2015 Kinopolis Group held 244 221 treasury shares with a capital value of € 169 140. Under the above authorization by the Extraordinary General Meeting, at 31 December 2015 Kinopolis Group NV was authorized to buy back another 3 839 996 treasury shares.

## RIGHTS TO NOMINATE CANDIDATES FOR A SEAT ON THE BOARD OF DIRECTORS

According to the articles of association, eight directors can be appointed from among the candidates nominated by 'Kinohold Bis', limited company under the laws of Luxembourg, insofar as it or its legal successors, as well as all entities directly or indirectly controlled by (one of) them or (one of) their respective legal successors (within the meaning of Article 11 of the Companies Code) solely or

jointly hold at least thirty-five per cent (35%) of the shares of the Company, both when the candidate is nominated and when the candidate is appointed by the General Meeting, on the understanding that, if the shares held by Kinohold Bis SA or its respective legal successors, as well as all entities directly or indirectly controlled by (one of) them or (one of) their respective legal successors (within the meaning of Article 11 of the Companies Code) represent less than thirty-five per cent (35%) of the capital of the Company, Kinohold Bis SA or its respective legal successors shall only be entitled to nominate candidates to the Board of Directors for each group of shares representing five per cent (5%) of the capital of the Company.

## SHAREHOLDER AGREEMENTS

Kinopolis Group NV is not aware of any shareholder agreements that could restrict the transfer of securities and/or the exercise of voting rights in the context of a public acquisition bid.

## CHANGE OF CONTROL

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

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

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

Lastly, there is a clause in the General Terms and Conditions dd. **16 January 2015** with regard to the **private placement of bonds** with institutional investors valued at € 96.0 million euros in the event of a change of control that is identical to the one set down in the aforementioned Prospectus.

## SHAREHOLDER STRUCTURE AND RECEIVED NOTIFICATIONS

Based on the notifications received within the framework of Article 74 of the Public Acquisition Bids Act of 1 April 2007, from Kinopolis Group NV, Kinohold Bis SA, Stichting Administratiekantoor Kinohold, Marie-Suzanne Bert-Vereecke, Joost Bert, Koenraad Bert, Geert Bert and Peter Bert, acting by mutual agreement (either because they are 'affiliated persons' within the meaning of Article 11 of the Companies Code or they are otherwise acting by mutual agreement) and collectively holding more than 30% of the voting shares of Kinopolis Group NV, on subsequent transparency statements (within the meaning of the Act of 2 May 2007 and the Royal Decree of 14 February 2008 regarding the disclosure of major holdings) and statements within the meaning of the share buyback program, as of 31 December 2015:

- ★ Kinohold Bis SA held 12 700 050 shares or 46.41% of the shares of the Company; Kinohold Bis SA is controlled by Stichting Administratiekantoor Kinohold under Dutch law, which in turn is jointly controlled by the following natural persons (in their capacity as directors of Stichting Administratiekantoor Kinohold): Joost Bert, Koenraad Bert, Geert Bert and Peter Bert;



- ★ Kinohold Bis SA otherwise acts in close consultation with Joost Bert;
- ★ Kinopolis Group NV, which is controlled by Kinohold Bis SA, held 244 221 shares or 0.89% treasury shares;
- ★ Mr Joost Bert, who acts in close consultation with Kinohold Bis SA, held 554 540 shares or 2.03% of the shares of the Company.

## SHAREHOLDERS' STRUCTURE AT 31 DECEMBER 2015

| SHAREHOLDER                          | NUMBER OF SHARES  | %           |
|--------------------------------------|-------------------|-------------|
| Kinohold BIS                         | 12 700 050        | 46.41       |
| Mr Joost Bert                        | 554 540           | 2.03        |
| Kinopolis Group NV                   | 244 221           | 0.89        |
| Free Float, of which:                | 13 866 386        | 50.67       |
| - Axa SA                             | 1 523 555         | 5.57        |
| - BNP Paribas Investment Partners NV | 1 406 080         | 5.14        |
| <b>TOTAL</b>                         | <b>27 365 197</b> | <b>100%</b> |



## AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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

## BOARD OF DIRECTORS AND SPECIAL COMMITTEES

### Composition of the Board of Directors

The Board of Directors consists of eight members, five of whom are independent of the majority shareholders and management. Those directors fulfil the criteria for independent directors as stated in the Article 526 ter of the Companies Code and were appointed upon nomination by the Board of Directors, which was advised on this matter by the Nomination and Remuneration Committee. The majority shareholders did not use their nomination right with regard to these appointments.

The Board regularly reviews the criteria for its composition and of its committees, in light of ongoing and future developments and expectations, as well as its strategic objectives. In the coming years the Board will give attention

to the appropriate complementarity and diversity among its members, including gender and age diversity, and ensure a balance between innovation and continuity in order that the acquired knowledge and history can be passed on efficiently. In this context, after the end of Mr Marcus Van Heddeghem's <sup>(1)</sup> mandate, the Board of Directors diversified further with the appointment of two complementary profiles Ms Annelies van Zutphen, who has extensive experience of the Dutch retail sector and Mr Jo Van Biesbroeck <sup>(2)</sup>, who has filled various top positions, including Chief Strategy Officer at AB Inbev. In 2016, the Board will continue to bring its composition further into line with the requirements in Article 518 bis of the Companies Code.

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

<sup>(1)</sup> Permanent representative of MarcVH-Consult bvba  
<sup>(2)</sup> Permanent representative of JoBV bvba



From the left: Jo Van Biesbroeck, Rafaël Decaluwé, Joost Bert, Annelies van Zutphen, Philip Ghekiere, Marion De Bruyne, Eddy Duquenne and Geert Vanderstappen

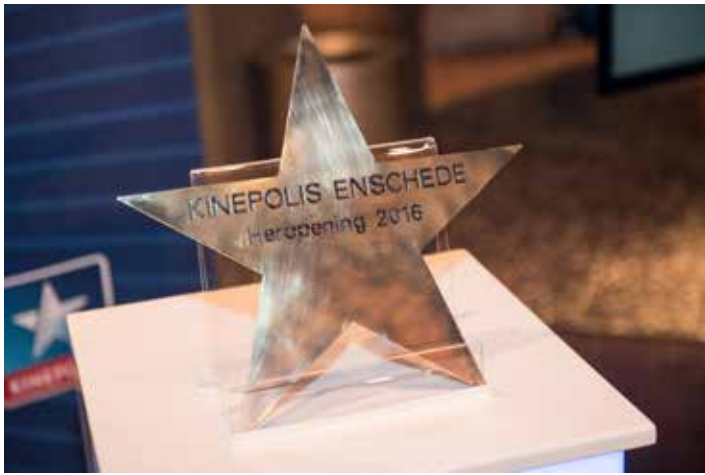
The table below shows the composition of the Board of Directors as well as the attendance record of the various directors with respect to the fourteen meetings that took place in 2015.

## COMPOSITION BOARD OF DIRECTORS

| NAME                                                                                         | POSITION             | TERM ENDS | OTHER POSITIONS AT LISTED COMPANIES | ATTENDANCE MEETINGS (14) |
|----------------------------------------------------------------------------------------------|----------------------|-----------|-------------------------------------|--------------------------|
| Mr Philip Ghekiere <sup>(1) (2)</sup>                                                        | Chairman             | 2016      | /                                   | All meetings             |
| Mr Eddy Duquenne                                                                             | CEO                  | 2016      | /                                   | All meetings             |
| Mr Joost Bert <sup>(2)</sup>                                                                 | CEO                  | 2016      | /                                   | All meetings             |
| Ms Marion Debruyne, permanent representative of Marion Debruyne bvba                         | Independent Director | 2017      | Recticel NV: Director               | Twelve meetings          |
| Ms Annelies van Zutphen (since 13 May 2015)                                                  | Independent Director | 2017      | /                                   | Nine meetings            |
| Mr Rafaël Decaluwé, permanent representative of Gobes Comm. V.                               | Independent Director | 2017      | Jensen Group NV: Chairman           | Eleven meetings          |
| Mr Jo Van Biesbroeck, permanent representative of JoVB bvba (since 13 May 2015)              | Independent Director | 2017      | Telenet NV, Director                | Seven meetings           |
| Mr Geert Vanderstappen, permanent representative of Management Center Molenberg bvba         | Independent Director | 2018      | smartphoto group NV: Director       | All meetings             |
| Mr Marcus Van Heddeghem, permanent representative of MarcVH-Consult bvba (until 13 May 2015) | Independent Director | 2015      | /                                   | Three meetings           |

<sup>(1)</sup> Non-executive director

<sup>(2)</sup> Represent the majority shareholders



Reopening of Kinopolis Enschede (NL)

### Activity Report of the Board of Directors

In addition to the duties assigned to the Board of Directors by the Companies Code, the articles of association and the Kinopolis Corporate Governance Charter, the following items were handled on a regular basis:

- ★ Review of the monthly revenue and financial results together with the forecasts;
- ★ Evolution in the customer and personnel satisfaction index;
- ★ Progress reports on ongoing cinema and real estate projects;
- ★ Discussion and decision on new cinema and property opportunities;
- ★ up-to-date treasury situation and cash flow forecast.

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

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

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

At least seven meetings are scheduled in 2016. Additional meetings may be held if needed.

### Composition and activity report of the Nomination and Remuneration Committee

In accordance with the possibility provided for in the Corporate Governance Code, Kinopolis Group has one joint committee – the Nomination and Remuneration Committee. This committee consists of the following non-executive directors, the majority of whom are independent directors with the necessary expertise and professional experience in human resources, bearing in mind their previous and/or current business activities:

- ★ Mr Philip Ghekiere (Chairman Kinopolis Group NV and Managing Partner at Metis Capital);
- ★ Gobes Comm. V., whose permanent representative is Mr Rafaël Decaluwé (former CEO of Bekaert NV and Chairman of the board of Jensen Group NV);
- ★ JoVB bvba, whose permanent representative is Mr Jo Van Biesbroeck (for years senior manager at AB Inbev), appointed at the general meeting of 13 May 2015;
- ★ MarcVH-Consult bvba, whose permanent representative is Mr Marcus Van Heddeghem, until 13 May 2015, when his mandate ended.

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

The NRC met five times in 2015 in the presence of all members and mainly dealt with the following:

- ★ Evaluation of the management targets for Executive Management and establishment of the variable remuneration and outperformance bonus for the fiscal year 2014;

- ★ Qualitative and quantitative management targets with regard to the fiscal year 2015 for Executive Management and the corresponding variable remuneration;
- ★ The evaluation and remuneration policy for senior management;
- ★ The evaluation process and bonus policy for budget owners;
- ★ The 2007-2016 share option plan and arrangements for its implementation, as well as the possibility to implement a new share option plan;
- ★ The evolution in composition of the Board of Directors and the ensuing process for selecting and appointing candidates;
- ★ Preparation of the Remuneration Report.

#### **Composition and activities report of the Audit Committee**

Pursuant to Article 526 bis of the Companies Code, the Audit Committee was exclusively composed of non-executive and independent directors with the appropriate expertise and professional experience in accounting and auditing, bearing in mind their previous and/or current business activities:

- ★ Management Center Molenberg bvba, whose permanent representative is Mr Geert Vanderstappen, who combines five years' experience as Corporate Officer at Generale Bank's Corporate & Investment Banking with seven years' operational experience as CFO at smartphoto group NV and is now Managing Partner at Pentahold;
- ★ Gobes Comm. V, whose permanent representative is Mr Rafaël Decaluwé, who is a former CEO of Bekaert NV and had a long career in financial management positions at a number of multinationals, including Samsonite, Fisher-Price and Black & Decker.

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

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

In 2015 the Audit Committee met four times, in the presence of all members, and primarily the following items were handled:

- ★ Discussion on financial reporting in general and the unconsolidated and consolidated annual and interim financial statements in particular;
- ★ Discussion, establishment and monitoring of the internal audit activities, including the discussion of the annual report of the Internal Audit department;
- ★ Discussion and evaluation of the internal control and risk management systems as well as the 2015 risk management action plan;
- ★ Discussion of the risk survey 2015;
- ★ Evaluation of the effectiveness of the external audit process;
- ★ Evaluation of the functioning of the internal auditor;
- ★ Monitoring of the financial reporting and its compliance with the applicable reporting standards;
- ★ Evaluation of the working relationship with the statutory auditor;
- ★ Procedure for the appointment of the statutory auditor for the period 2016-2019.

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

Under its Chairman, the Board of Directors regularly evaluates its own size, composition, performance and those of its committees.

In 2015 an evaluation was conducted with regard to the composition and functioning of the Board and its committees, the interaction with Executive Management, the quality and adequacy of the preparatory documentation, the course of the meetings and the content of the agenda. This evaluation process is initiated by the Chairman of the Board of Directors on the basis of a written procedure, the results of which are analyzed and discussed in the Board of Directors, where the appropriate follow-up measures are implemented.

## EXECUTIVE MANAGEMENT

Executive Management consists of both Chief Executive Officers. The Board of Directors is authorized to appoint additional members of Executive Management.

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

The Company's policy on insider trading is included in an Insider Trading Protocol that applies to the members of the Board of Directors, the Chief Executive Officers and other persons who might have inside knowledge. The Protocol is designed to ensure that share trading by the persons in question only occur strictly in accordance with the Act of 2 August 2002 on the supervision of the financial sector, and in accordance with the guidelines issued by the Board of Directors. The Chief Financial Officer is responsible, as Compliance Officer, for monitoring compliance with the rules on insider trading as set out in this Protocol.

In this regard, the Company announces, as stated in the press release of 24 November 2015, that Kinohold Bis SA, Mr Joost Bert, PGMS NV, Mr Philip Ghekiere and Mr Eddy Duquenne have been notified of the decision of the FSMA's Sanctions Committee in the proceedings brought against them by the FSMA's Management Committee due to alleged insider dealing with regard to their purchase of shares on their account on 22 November (and with regard to Kinohold Bis SA also on 23, 24 and 25 November) 2011.

The Sanctions Committee has judged that the purchases of shares constitute an infringement of the law on insider knowledge by the parties in question, but that in assessing the sanction 'the circumstances that there is no proof of an intentional infringement' and 'the good faith of the parties involved' as well as the fact that 'it concerns a one-off infringement by irreproachable persons' should be taken into account, so a simple statement of guilt by Messrs. Joost Bert, Philip Ghekiere and Eddy Duquenne

is a weighty and adequate sanction, without the need for a penalty. The Sanctions Committee has imposed an administrative fine of € 200 000 on Kinohold BIS SA and € 15 000 on PGMS NV. The parties involved have notified the Company that they have appealed against this decision.

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

The transactions with related parties as included in Note 28 to the Consolidated Financial Statements were conducted in complete transparency with the Board of Directors.

## REMUNERATION REPORT

Kinopolis Group NV tries to provide transparent information regarding the remuneration of members of the Board of Directors and Executive Management to its shareholders and other stakeholders.

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

#### *Principles*

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

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

The following principles are also used:

- ★ For the fulfilment of their duties as a member of the Board of Directors, the non-executive directors receive a fixed amount taking account of a attendance of a minimum number of meetings of the Board of Directors they attend;
- ★ The members of the committees are allocated a fixed amount every time they attend a meeting for the committee, with additional fixed remuneration for the president of the Audit Committee and of the Nomination and Remuneration Committee;
- ★ The Chairman of the Board of Directors and the Chief Executive Officers are allocated a fixed annual amount for participating in the meetings of the Board of Directors;
- ★ The non-executive directors do not receive any bonuses, participation in long-term share-based incentive programs, benefits in kind (with the exception of the right to attend a number of film screenings each year) or benefits related to pension plans;
- ★ Alongside a fixed remuneration, Executive Management receives a variable remuneration dependent on the attainment of the management targets set by the Board of Directors on the recommendation of the Nomination and Remuneration Committee. These include both quantitative targets, which are set and measured annually based on the improvement of the financial results compared to the previous year, and qualitative targets, which are defined as targets that are to be attained over several years, progress of which is evaluated on an annual basis. The variable part of the remuneration ensures that the interests of Executive Management run parallel to the Group's, lead to value creation and loyalty, and provide the appropriate incentive to optimize the short-term and long-term objectives of the Group and its shareholders. 30% of the variable remuneration is linked to the attainment of the qualitative targets and 70% is linked to the attainment of the quantitative targets;



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- ★ As well as this variable remuneration, long-term incentives in the form of share options or other financial instruments of the Company or its subsidiaries may also be allocated to Executive Management. The remuneration package for Executive Management may additionally include participation in the corporate pension plan and/or the use of a company car;
- ★ The Company's formal right to claim back variable remuneration and outperformance bonus granted on the basis of incorrect financial data was not explicitly provided for in such cases;
- ★ The exit compensation of a member of Executive Management in the event of early termination of a contract (entered into after 1 July 2009) will not exceed twelve (12) months' basic and variable remuneration. A higher compensation may be granted in specific justifiable circumstances, on the recommendation of the NRC and with the prior approval of the General Meeting, but may never exceed eighteen (18) months' basic and variable remuneration. In any event, the exit compensation may not exceed twelve (12) months' basic remuneration and the variable remuneration cannot be taken into account if the departing person has not met the performance criteria referred to in his or her contract.



Mr Eddy Duquenne, CEO, at the opening of Kinepolis Dordrecht (NL).

#### *Procedure*

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

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

- ★ € 87 250 as fixed remuneration for the chairmanship of the Board of Directors;
- ★ € 30 000 as fixed remuneration for attendance by the Chief Executive Officers of the meetings of the Board of Directors;
- ★ € 32 500 for the actual attendance of the other directors of six or more meetings of the Board of Directors; the remuneration will be reduced proportionately if fewer meetings are attended;
- ★ € 3 000 for attendance of a meeting of the Audit Committee or the Nomination and Remuneration Committee;
- ★ € 3 750 as additional fixed remuneration for the chairman of the Audit Committee and of the Nomination and Remuneration Committee.

The Board of Directors determines the remuneration as well as the remuneration policy of **Executive Management** based on the proposal of the Nomination and Remuneration Committee, with due consideration for the relevant contractual stipulations and benchmark data from other comparable listed companies to ensure that these remunerations are in line with market rates, bearing in mind the duties, responsibilities and management targets.

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

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

On the proposal of the Board of Directors, which is of the opinion that the quantitative and qualitative management targets are set to also favour the long-term goals of the Company, on 17 May 2013 the General Meeting approved the proposal to base the integral annual variable remuneration of the CEOs for the fiscal years 2014 through 2016 on objective and measurable performance indicators agreed in advance and always measured over a period of one year, in accordance with Article 520 ter of the Companies Code.

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

In line with the remuneration policy and its underlying principles, the non-executive directors of the Company were remunerated for their services in the past fiscal year as shown in the following table. All amounts are gross amounts before deduction of tax.

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

All members of the Board of Directors as well as directors of the subsidiaries of the Company are also covered by a 'civil liability of directors' policy, the total premium of € 24 223 including taxes, is paid by the Company.

#### Application of the remuneration policy on the members of Executive Management

##### Principles

On the proposal of the Nomination and Remuneration Committee, and with due consideration for the benchmark data from an external survey, it was decided to adapt the remuneration policy and the remuneration of the Executive Management for the fiscal years 2015-2016 in order to bring the policy more into line with practice at other comparable listed companies with regard to the ratio of the fixed to the variable part of the remuneration package and to keep the remuneration in line with market rates, bearing in mind the roles, responsibilities, management targets and value created.

#### REMUNERATION BOARD OF DIRECTORS

| NAME                                                                                 | TITLE                                                                               | REMUNERATION 2015 (IN €) |
|--------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|--------------------------|
| Mr Philip Ghekiere                                                                   | Chairman of the Board of Directors and of the Nomination and Remuneration Committee | 103 000                  |
| Mr Eddy Duquenne                                                                     | CEO                                                                                 | 30 000                   |
| Mr Joost Bert                                                                        | CEO                                                                                 | 30 000                   |
| Ms Marion Debruyne, permanent representative of Marion Debruyne bvba                 | Independent Director                                                                | 32 500                   |
| Ms Annelies van Zutphen                                                              | Independent Director                                                                | 21 668                   |
| Mr Rafaël Decaluwé, permanent representative of Gobes Comm. V                        | Independent Director                                                                | 56 500                   |
| Mr Jo Van Biesbroeck, permanent representative of JoVB bvba                          | Independent Director                                                                | 24 668                   |
| Mr Geert Vanderstappen, permanent representative of Management Center Molenberg bvba | Independent Director                                                                | 48 250                   |
| Mr Marcus Van Heddeghem, permanent representative of MarcVH-Consult bvba             | Independent director (until 13 May 2015)                                            | 19 833                   |
| <b>TOTAL</b>                                                                         |                                                                                     | <b>366 419</b>           |

Given the above and with due consideration for the long-term improvement in the results of the existing core businesses, the important steps taken in the implementation of the expansion strategy and the great value created for all stakeholders by the Executive Management in recent years, it was decided to adjust the remuneration for the fiscal years 2015 and 2016 and to no longer make a distinction between the variable remuneration and the outperformance bonus, resulting in the packages below:

★ **bvba Eddy Duquenne**

|                                   |                  |
|-----------------------------------|------------------|
| - fixed remuneration:             | € 538 242        |
| - maximum variable remuneration:  | € 400 000        |
| - annual fixed expense allowance: | € 9 000          |
| <b>TOTAL</b>                      | <b>€ 947 242</b> |

★ **Mr Joost Bert**

|                                  |                  |
|----------------------------------|------------------|
| - fixed remuneration:            | € 350 120        |
| - maximum variable remuneration: | € 220 000        |
| <b>TOTAL</b>                     | <b>€ 570 120</b> |

The amount of the variable remuneration ultimately granted to Executive Management depends on the fulfilment of the annual management targets, which apply collectively to Executive Management and comprise both quantitative and qualitative targets.

In setting the targets for the fiscal year 2015, the Board of Directors has decided to use the recurring EBITDA parameter to determine the **quantitative management targets** as it feels that this is a more relevant measure of the development of value creation within the company than the net current profit parameter that was previously used. The development of the existing activities and the impact of the integration of expansion projects will be taken into account when assessing whether they have been attained. The goal of the quantitative targets is to improve or at least maintain the financial performance of the Group's core businesses and to provide stimuli for the attainment of synergies in the expansion projects at recurring EBITDA level, with due consideration for unforeseeable external factors.

The **qualitative targets** relate to the further expansion of the company, the further development of the Talent Factory and the further optimization of management reporting.

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

These targets were evaluated at the beginning of the fiscal year 2016 and if they have been attained the variable remuneration with regard to the performances in the fiscal year under review will be paid out.

*Application*

In the **evaluation of the fiscal year 2014**, the Board of Directors observed that, with regard to the qualitative targets, the assumed milestones were achieved or at least concrete progress was made. The Board also judged that, despite the fact that the quantitative targets were not attained completely, due consideration had to be given to the strong performance of Executive Management in the core businesses in difficult market conditions and the big steps taken to ensure future value creation. In this context, after the recommendation of the Nomination and Remuneration Committee the Board decided to award the full variable remuneration linked to qualitative targets and 83% of the variable remuneration linked to quantitative targets, resulting in a total sum of € 260 000 for Mr Eddy Duquenne and € 189 500 for Mr Joost Bert. With regard to the outperformance bonus, it was decided to award Mr Eddy Duquenne € 100 000 and Mr Joost Bert € 45 000, given the substantial achievements of the expansion strategy (the acquisition of the complexes in Madrid and Alicante (Spain) and the acquisition of the Wolff Group), which have resulted in value creation. The remaining balance of the outperformance bonus for the fiscal year 2014, being € 65 000 for Mr. Duquenne, will be awarded in 2016 when the underlying business cases of the aforementioned projects have been completed.

Finally, it can be noted that, pursuant to contractual agreements reached prior to 1 July 2009, in the event of the early termination of the contract of one of the members of

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

There follows a summary of the fixed part of the -remuneration, the other components of the remuneration (such as pension contributions and insurances) and the variable part, as paid out in 2015 (excluding VAT):

★ **bvba Eddy Duquenne**

|                                        |                  |
|----------------------------------------|------------------|
| - Fixed remuneration <sup>(1)</sup>    | € 538 242        |
| - Variable remuneration <sup>(2)</sup> | € 260 000        |
| - Outperformance bonus <sup>(2)</sup>  | € 100 000        |
| - Expense allowance                    | € 9 000          |
| <b>TOTAL</b>                           | <b>€ 907 242</b> |

★ **Mr Joost Bert**

|                                        |                  |
|----------------------------------------|------------------|
| - Fixed remuneration <sup>(1)</sup>    | € 350 120        |
| - Variable remuneration <sup>(2)</sup> | € 189 500        |
| - Outperformance bonus <sup>(2)</sup>  | € 45 000         |
| - Pension scheme <sup>(3)</sup>        | € 10 424         |
| <b>TOTAL</b>                           | <b>€ 595 044</b> |

**Long-term incentives**

The goal of the 2007-2016 Share Option Plan (the 'Plan') approved by the Board of Directors on 5 November 2007 and enlarged on 25 March 2011 is to support and achieve the following corporate and human resources policy targets:

- ★ To encourage and reward the executive directors and management staff of the Company and its subsidiaries, who are able to contribute to the long-term success and growth of the Company and its subsidiaries;
- ★ To assist the Company and its subsidiaries in attracting and retaining directors and management staff with appropriate experience and skills; and to link the interests of the directors and management staff more closely to those of the shareholders of the Company and give them the possibility of sharing in the created value and growth of the Company.

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

<sup>(2)</sup> Received in 2015 for performances in 2014

<sup>(3)</sup> Mr Joost Bert participates in a supplementary pension scheme providing for an annual indexed fixed contribution

<sup>(4)</sup> In his former capacity of Executive Director

<sup>(5)</sup> The number at that time multiplied by five, with due consideration for the 2014 share split



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In 2008, the Chairman <sup>(4)</sup> and the members of Executive Management were each allocated 346 540 options <sup>(5)</sup>. Given that the granting of the share options is not based on individual or company performance, they are not considered to be part of the variable remuneration as defined in the Companies Code.

In subsequent years various members of management were allocated 587 500 options, of which 100 000 were exercised and 100 875 expired.

In 2015 the Chairman and the Executive Management exercised all the options allocated to them and 274 750 options were exercised by members of management.

At 31 December 2015, 111 875 granted options were still outstanding.

A further description of the characteristics of these options is provided in note 19 to the Consolidated Financial Statements.

**Fiscal years 2016-2017**

The Board of Directors will propose to the General Meeting of 11 May 2016 the adoption of the 2016 Share Option Plan, under which options on existing shares can be offered to the Chairman of the Board of Directors, Executive Management and eligible management staff of the Company or its subsidiaries in order to enable the aforementioned persons to participate in the long-term shareholder value they will help create and so bring their interests into line with the interests of the shareholders. In granting the share options the Company's goal is to be able to attract, motivate and in the long term retain the best management talent in the company.

Otherwise, the Company has no plans to introduce fundamental policy changes for the aforementioned fiscal years.



Kinepolis Nancy (FR)

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

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

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

### Roles and Responsibilities

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

The responsibilities regarding risk management of the Board of Directors (and its various committees) and Executive Management are established and described in detail in legal stipulations, the Belgian Corporate Governance Code 2009 and the Kinepolis Corporate Governance Charter.

In brief, it can be stated that Executive Management bears final responsibility for the appropriate implementation and management of the risk management system, whereas the Board of Directors has a supervisory role in this matter.

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

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

### Application of the various components

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

### Internal Control Environment

An appropriate internal environment is a precondition of being able to effectively apply other risk management components. An appropriate internal environment is a precondition of being able to effectively apply other risk management components. With this in mind, Kinepolis Group values integrity and ethical action highly. Alongside the existing legal framework, Kinepolis Group endeavours to encourage and enforce this type of behaviour through preventive measures (such as Code of Conduct, work regulations, various policies and procedures) and detection measures (such as the reporting procedure and compliance inspections).

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

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

#### **Objective setting**

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

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

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

#### **Internal Control**

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

As stated above, it is first and foremost the duty of every manager to properly set up and implement the various internal risk management activities (including monitoring) within the scope of his or her job. In other words, each line manager is responsible for the appropriate and timely identification and evaluation of business risks and the ensuing control measures to be taken and managed. Although the individual line manager has some latitude when applying these rules, Kinopolis endeavors to standardize the process as much as possible. This is achieved by organizing corporate ERM trainings, implementing the structured policy guidelines and procedures, and using standard lists of internal audits to be conducted.

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

#### **Information and Communication**

The appropriate structures, consultation bodies, reporting and communication channels have been set up within Kinopolis Group for business operations in general and risk management in particular 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



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from data warehouse systems that are set up and maintained in such a way as to meet the reporting and communication requirements.

#### Monitoring

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

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

#### DESCRIPTION OF THE MAIN BUSINESS RISKS

On an annual basis, the Board of Directors and Management conduct a risk assessment to gain insight into the main business risks, which assessment is subsequently analyzed and approved by the Board of Directors. As in previous years, in 2015 this again occurred on the basis of a written survey of the participants to gain both quantitative and qualitative results, enabling risks to be assessed in order of scale. Although this way of working enables Kinopolis to distinguish important risks from less important risks in a well-founded way, it remains an estimation that, inherent to the definition of risk, provides no guarantee whatsoever of the actual occurrence of risk events. The following list (in random order) therefore contains only some of the risks to which Kinopolis is exposed.

#### Availability and quality of supplied material

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

### **Seasonal effects**

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

### **Competition**

Kinopolis Group's position as a cinema operator is subject to competition just like every other product or service for which substitution exists. Kinopolis Group's position is impacted by increasing competition from other leisure activities, such as concerts and sporting events, which can influence the behaviour of Kinopolis customers. This competition also comes from the cinemas of other operators – both existing and prospective – in the markets where the Group is active and from the increasing distribution and availability of films through non-cinema channels, such as video-on-demand, pay-per-view and internet. This development can also be influenced by the shortening of the period ordinarily observed by the distributors, between the first screening of a film in the cinema and its availability through other channels, as well as the constant technical improvement in the quality of these alternative ways of watching films. Besides these legal alternatives, the cinema industry also has to deal with illegal downloads. Kinopolis is working actively with distributors to agree measures to counter any increasing illegal sharing of material online.

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

### **Economic situation**

Changes to the general, global or regional economic situation or the economic situation in areas where Kinopolis Group NV is active and that can impact consumer behaviour and the production of new films, can have a negative impact on Kinopolis Group's operating profits. Kinopolis endeavors to arm itself against this threat by being rigorously efficient and closely monitoring and controlling costs and margins. Changing economic conditions can also increase competitive risks.

### **Risks arising from growth opportunities**

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

### **Political, regulatory and competition risks**

Kinopolis Group strives to operate within the legal framework at all times. However, additional or amended legislation, including tax laws, could restrict Kinopolis' growth and operations or result in additional investments or costs. Where possible, Kinopolis Group actively manages these risks by notifying the relevant political, administrative or legal bodies of its positions and defending them in an appropriate way. Belgium's Competition Council has imposed a number of conditions and restrictions on Kinopolis Group, such as the requirement for a prior approval of plans to build new cinema complexes or acquire existing cinema complexes in Belgium if these do not entail the rundown of existing complexes.

### Technological risks

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

### Employee risks

As a service company, Kinopolis Group largely depends on its employees to provide high-quality service. Hiring and retaining the right managers and employees with the requisite knowledge and experience in all parts of the Company is therefore a constant challenge. Kinopolis accepts this challenge by offering attractive terms of employment, good knowledge management and a pleasant working atmosphere. Kinopolis measures employee satisfaction on the basis of employee surveys and where necessary improves its policies.

### Risks arising from exceptional events

Events of an exceptional nature, including but not limited to extreme weather, political unrest and terrorist attacks, in a country where Kinopolis Group is active and that result in material damage to one of the multiplexes, a fall in the number of customers or disruption in the delivery of products can have a negative impact on activities.



Utopolis Belval (LU)

Kinopolis strives to minimize the potential impact of such risks through a combination of preventive (such as construction decisions, evacuation planning) and detection measures (such as fire detection systems) and by taking out proper insurance.

### Environmental liability and property risks

The property that Kinopolis Group owns and leases is subject to regulations with regard to environmental liability and potential property risks. In addition to the above mentioned measures to control political and regulatory risks, Kinopolis will take appropriate measures to prevent environmental damage and limit property risks.

### Other risks

After the acquisition by KP Immo Brussel NV (a subsidiary of Kinopolis Group NV) of the premises in Galerie Toison d'Or (Guldenvlieslaan/Avenue de la Toison d'Or 8) in Brussels (Belgium), which are leased to the cinema operator UGC Belgium, Kinopolis Group NV and its subsidiary were served with a summons by the aforementioned tenant before the Commercial Court in Brussels to declare the aforementioned transaction null and void due to alleged breaches of the Economic Law Book and one of the conditions imposed on Kinopolis Group by the Belgian Competition Authority in 1997. UGC Belgium also filed a complaint with this Competition Authority at year-end 2014.

In The Grand Duchy of Luxembourg the country's competition authority is investigating an alleged abuse of the dominant position by Utopia SA with regard to the acquisition in 2013 of the shares of Cine Belval SA (now Utopolis Belval SA), the operator of the cinema complex in Belval, in which the auditor demands the disposal of the complex.

Finally Kinopolis has launched proceedings obtain the missing operating license for a recently acquired cinema complex.

Kinopolis is confident that above mentioned proceedings will end satisfactorily.

## USE OF FINANCIAL INSTRUMENTS

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

Kinepolis manages its debts by combining short-, medium- and long-term borrowings. The mix of debts with fixed and floating interest rates is established at Group level. At the end of December 2015 the Group's net financial debt was € 162 million. Forward foreign exchange contracts were entered into for a nominal amount of US \$ 2 million to hedge exchange rate risks resulting from the purchase and guarantee obligations.

The notes to the consolidated financial statements provide a detailed description of how the Group manages the aforementioned risks.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

- ★ Contrary to Stipulation 5.5. of the Code, the Board of Directors believes that, bearing in mind its own limited composition, an Audit Committee comprising two independent members – both with the requisite auditing and accounting expertise – provides sufficient guarantees with regard to the efficient functioning of the committee;
- ★ Contrary to Stipulation 7.13., the Board of Directors approved the Share Option Plan 2007-2016 for the executive directors and members of the senior management on 5 November 2007. This plan serves, among other things, to more closely align the interests of the abovementioned persons with the interests of the Company by allowing them to participate in future value creation and to enable the Company to offer a competitive remuneration package and as such to be able to hire, remunerate and retain the right persons in these positions. Bearing in mind that the above objectives are in the best interest of the Company, the Board of Directors does not deem it necessary to submit this point to the General Meeting;
- ★ Contrary to Stipulation 4.6. of the Code, the professional qualifications and duties of the directors to be re-appointed were not stipulated in the convening notices to the General Shareholders' Meeting of 13 May 2015, given that these qualifications are already published in several press releases and annual reports.



Kinepolis Ghent (BE)

# Other information



Kinepolis Dordrecht (NL)

## RESEARCH AND DEVELOPMENT

In the year under review, Kinepolis developed a number of new concepts for the benefit of the operating entities within the framework of the three strategic pillars. Kinepolis is committed to constantly adapting the experience it provides to the changing demographic trends, to be innovative with regard to picture and sound and other factors, in order to improve the experience of the customers and protect the profitability of the group. Examples of concepts developed in 2015 are the Leonidas Chocolates Café in Antwerp (Belgium), the Ciné K concept in France, which focuses on more local and alternative films, Cosy Seating, the launch of the e-shop in Belgium for the sale of gift boxes and the development of the Meet Me at Kinepolis app, which was launched in Belgium in February 2016.

## CONFLICT OF INTERESTS POLICY

The Board of Directors took the following decisions on 23 February 2015, 23 March 2015, 18 June 2015 and 24 November 2015, pursuant to Article 523 of the Companies Code:

- ★ The inclusion in the press release in February 2015 on the 2014 annual results of a note on the proceedings launched by the FSMA's Management Committee against the directors Joost Bert, Eddy Duquenne and Philip Ghekiere due to alleged insider trading of shares

at their own expense, which trades were conducted on 22 (and with regard to Kinohold Bis SA also on 23, 24 and 25) November 2011, as well as the publication of press release on November 2015 with regard to the decision of the Sanctions Committee in this matter;

- ★ evaluation of the 2014 management targets for Executive Management;
- ★ the award of the variable remuneration of € 260 000 to Mr Eddy Duquenne and € 189 500 to Mr Joost Bert and an outperformance bonus of € 100 000 to Mr Duquenne and € 45 000 to Mr Joost Bert with regard to the 2014 management targets, by which the balance of the outperformance bonus, which is € 65 000 for Mr Duquenne, will be paid out after the attainment of the targets by the acquired complexes in Madrid and Alicante (Spain) and the complexes that are part of the Wolff Group;
- ★ The establishment of the management targets for fiscal year 2015;
- ★ The remuneration for the Executive Management for the fiscal years 2015-2016.

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

## PROFIT APPROPRIATION AND DIVIDEND PAYMENT

In its proposal to the General Shareholders' Meeting concerning the appropriation of profit and payment of dividend the Board of Directors took various factors into consideration, including the Company's financial situation, operating profits, current and expected cash flows and expansion plans.

The payment of a gross amount of € 0.79 per share for fiscal year 2015 is proposed, based on a payout ratio of 50% of current net profit. Subject to the approval of the General Meeting, the Board of Directors decided to make the dividend available to shareholders through a financial institution of their choice on 17 May 2016 (ex-date: 13 May 2016; record date: 16 May 2016) at a financial institution of the shareholder's choosing.

# Declaration with regard to the information contained in this annual report

Undersigned certify that, to their knowledge,

- ★ The consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the equity, financial position and financial performance of the company, and the entities included in the consolidation as a whole;
- ★ The management report on the consolidated financial statements includes a fair overview 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 which they are exposed to.

23 March 2016



Eddy Duquenne  
CEO Kinopolis Group



Joost Bert  
CEO Kinopolis Group



Joost Bert and Eddy Duquenne, CEO's Kinopolis Group

# 04 SHARE INFORMATION



Kinepolis Ghent (BE)



# The Kinepolis Group share

## NUMBER OF SHARES

|                                                           | 2011      | 2012      | 2013      | 2014       | 2015       |
|-----------------------------------------------------------|-----------|-----------|-----------|------------|------------|
| Number of shares at 31 December                           | 6 581 355 | 5 856 508 | 5 582 654 | 27 365 197 | 27 365 197 |
| Weighted average number of ordinary shares <sup>(1)</sup> | 6 550 294 | 5 800 963 | 5 431 812 | 26 288 260 | 26 782 831 |
| Weighted average number of diluted shares <sup>(2)</sup>  | 6 660 484 | 5 966 251 | 5 628 307 | 27 341 842 | 27 138 627 |

## SHARE TRADING

|                                                    | 2011      | 2012      | 2013      | 2014                     | 2015      |
|----------------------------------------------------|-----------|-----------|-----------|--------------------------|-----------|
| Closing price at 31 December (in €) <sup>(4)</sup> | 55.16     | 81.99     | 115.1     | 33.46                    | 41.40     |
| Market value at closing price (in '000 €)          | 363 028   | 480 175   | 642 563   | 915 639                  | 1 132 919 |
| Lowest price of the year (in €) <sup>(4)</sup>     | 44.5      | 54.2      | 79.9      | 22.9                     | 32.9      |
| Highest price of the year (in €) <sup>(4)</sup>    | 59.95     | 83.61     | 117.3     | 34.31                    | 41.61     |
| Traded year volume                                 | 2 719 592 | 2 174 524 | 1 366 053 | 4 719 540 <sup>(3)</sup> | 7 590 604 |
| Average traded day volume                          | 10 582    | 8 494     | 5 357     | 18 430 <sup>(3)</sup>    | 29 651    |

<sup>(1)</sup> Weighted average number of ordinary shares; average number of outstanding shares – average number of treasury shares

<sup>(2)</sup> Weighted average number of diluted shares; average of number of outstanding shares – average number treasury shares + number of possible new shares that must be issued under the existing share option plans x dilution effect of the share option plans.

<sup>(3)</sup> On 1 July 2014 each Kinepolis share was split into five new shares. The first six months were recalculated in that sense.

<sup>(4)</sup> The prices for 2011 through 2013 are prior to the share split in five of 1 July 2014.



Kinepolis Dordrecht (NL)



#### SHARE PRICE AND VOLUME OVER LAST TEN YEARS <sup>(5)</sup>



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

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

**KIN**  
**LISTED**  
**NYSE**  
**EURONEXT**

# 05 FINANCIAL REPORT



Kinepolis Enschede (NL)



# Consolidated income statement

at 31 December

| IN '000 €                              | NOTE | 2014           | 2015           |
|----------------------------------------|------|----------------|----------------|
| Revenue                                | 3    | 262 619        | 301 571        |
| Cost of sales                          |      | -180 776       | -201 993       |
| <b>Gross profit</b>                    |      | <b>81 843</b>  | <b>99 578</b>  |
| Marketing and selling expenses         |      | -16 069        | -17 538        |
| Administrative expenses                |      | -15 583        | -17 716        |
| Other operating income                 | 4    | 816            | 1 177          |
| Other operating expenses               | 4    | -342           | -256           |
| <b>Operating profit</b>                |      | <b>50 665</b>  | <b>65 245</b>  |
| Finance income                         | 7    | 2 390          | 1 140          |
| Finance expenses                       | 7    | -6 685         | -8 894         |
| <b>Profit before tax</b>               |      | <b>46 370</b>  | <b>57 491</b>  |
| Belgian Excess Profit Ruling (EPR) tax | 8    |                | -9 355         |
| Income tax expenses                    | 8    | -11 203        | -15 881        |
| <b>Total income tax expenses</b>       |      | <b>-11 203</b> | <b>-25 236</b> |
| <b>PROFIT FOR THE PERIOD</b>           |      | <b>35 167</b>  | <b>32 255</b>  |
| <b>PROFIT FOR THE PERIOD excl. EPR</b> |      | <b>35 167</b>  | <b>41 610</b>  |
| Attributable to:                       |      |                |                |
| Owners of the Company                  |      | 35 167         | 32 255         |
| <b>PROFIT FOR THE PERIOD</b>           |      | <b>35 167</b>  | <b>32 255</b>  |
| Basic earnings per share (€)           | 18   | 1.34           | 1.20           |
| Diluted earnings per share (€)         | 18   | 1.29           | 1.19           |

The notes on page 64-119 are fully part of these consolidated financial statements.

# Consolidated statement of profit or loss and other comprehensive income

at 31 December

| IN '000 €                                                                      | NOTE | 2014          | 2015          |
|--------------------------------------------------------------------------------|------|---------------|---------------|
| <b>Profit for the period</b>                                                   |      | <b>35 167</b> | <b>32 255</b> |
| <b>Items that are or may be reclassified to profit or loss:</b>                |      |               |               |
| Translation differences                                                        |      | -97           | 884           |
| Cash flow hedges – effective portion of changes in fair value                  |      | 27            | 64            |
| Cash flow hedges – net change in the fair value reclassified to profit or loss |      | 60            | -29           |
| Taxes on other comprehensive income                                            |      | -30           | -12           |
| <b>Other comprehensive income for the period, net of tax</b>                   |      | <b>-40</b>    | <b>907</b>    |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>                               |      | <b>35 127</b> | <b>33 162</b> |
| Attributable to:                                                               |      |               |               |
| Owners of the Company                                                          |      | 35 127        | 33 162        |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>                               |      | <b>35 127</b> | <b>33 162</b> |

The notes on page 64-119 are fully part of these consolidated financial statements.

# Consolidated statement of financial position

at 31 December

## ASSETS

| IN '000 €                          | NOTE | 2014           | 2015           |
|------------------------------------|------|----------------|----------------|
| Intangible assets                  | 9    | 3 998          | 5 111          |
| Goodwill                           | 10   | 36 116         | 53 256         |
| Property, plant and equipment      | 11   | 215 335        | 289 201        |
| Investment property                | 12   | 32 628         | 31 965         |
| Deferred tax assets                | 13   | 1 308          | 670            |
| Other receivables                  | 15   | 12 656         | 11 845         |
| Other financial assets             |      | 27             | 27             |
| <b>Non-current assets</b>          |      | <b>302 068</b> | <b>392 075</b> |
| Inventories                        | 14   | 3 636          | 4 694          |
| Trade receivables and other assets | 15   | 24 293         | 32 992         |
| Current tax assets                 |      | 40             | 442            |
| Cash and cash equivalents          | 16   | 17 000         | 60 432         |
| Derivative financial instruments   |      | 27             | 64             |
| <b>Current assets</b>              |      | <b>44 996</b>  | <b>98 624</b>  |
| <b>TOTAL ASSETS</b>                |      | <b>347 064</b> | <b>490 699</b> |

## EQUITY AND LIABILITIES

| IN '000 €                                                 | NOTE | 2014           | 2015           |
|-----------------------------------------------------------|------|----------------|----------------|
| Share capital                                             | 17   | 18 952         | 18 952         |
| Share premium                                             | 17   | 1 154          | 1 154          |
| Consolidated reserves                                     |      | 86 304         | 103 721        |
| Translation reserve                                       |      | -1 678         | -794           |
| <b>Total equity attributable to owners of the Company</b> |      | <b>104 732</b> | <b>123 033</b> |
| <b>Equity</b>                                             |      | <b>104 732</b> | <b>123 033</b> |
| Loans and borrowings                                      | 20   | 91 471         | 214 000        |
| Provisions                                                | 21   | 2 497          | 7 161          |
| Deferred tax liabilities                                  | 13   | 15 855         | 19 868         |
| Other payables                                            | 22   | 7 357          | 10 124         |
| <b>Non-current liabilities</b>                            |      | <b>117 180</b> | <b>251 153</b> |
| Bank overdrafts                                           | 16   | 470            | 44             |
| Loans and borrowings                                      | 20   | 44 095         | 8 714          |
| Trade and other payables                                  | 22   | 72 294         | 86 966         |
| Provisions                                                | 21   | 610            | 753            |
| Current tax liabilities                                   | 23   | 7 683          | 20 036         |
| <b>Current liabilities</b>                                |      | <b>125 152</b> | <b>116 513</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>                       |      | <b>347 064</b> | <b>490 699</b> |

The notes on page 64-119 are fully part of these consolidated financial statements.

# Consolidated statement of cash flows

at 31 December

| IN '000 €                                                                                        | NOTE      | 2014           | 2015           |
|--------------------------------------------------------------------------------------------------|-----------|----------------|----------------|
| Profit before tax                                                                                |           | 46 370         | 57 491         |
| Adjustments for:                                                                                 |           |                |                |
| Depreciation and amortization                                                                    | 6         | 21 322         | 23 572         |
| Provisions and impairments                                                                       |           | -684           | -260           |
| Government grants                                                                                | 4         | -649           | -791           |
| (Gains) Losses on sale of fixed assets                                                           | 4         | -14            | 201            |
| Change in fair value of derivative financial instruments and unrealized foreign exchange results |           | 38             | 164            |
| Changes in fair value of contingent considerations                                               | 7, 10, 24 | -1 359         |                |
| Unwinding of non-current receivables                                                             | 7, 21     | -696           | -609           |
| Share-based payments                                                                             | 5         | 389            | 259            |
| Impairment on tax shelter investments                                                            | 7         | 433            |                |
| Amortization of refinancing transaction costs                                                    |           | 209            | 287            |
| Interest expenses and income                                                                     | 7         | 4 313          | 6 703          |
| Change in inventory                                                                              |           | -176           | -853           |
| Changes in trade receivables and other assets                                                    |           | 3 154          | -2 949         |
| Change in trade and other payables                                                               |           | 2 803          | 10 036         |
| <b>Cash from operating activities</b>                                                            |           | <b>75 453</b>  | <b>93 251</b>  |
| Income taxes paid                                                                                |           | -11 321        | -16 059        |
| <b>Net cash from operating activities</b>                                                        |           | <b>64 132</b>  | <b>77 192</b>  |
| Acquisition of intangible assets                                                                 | 9         | -2 169         | -1 976         |
| Acquisition of property, plant and equipment and investment property                             | 11, 12    | -30 570        | -51 646        |
| Acquisition of subsidiaries, net of cash acquired                                                | 10        | -10 468        | -40 190        |
| Proceeds from sale of intangible and tangible assets                                             |           | 293            | 179            |
| <b>Net cash used in investing activities</b>                                                     |           | <b>-42 914</b> | <b>-93 633</b> |
| Capital reduction                                                                                |           | -5             | -2             |
| New loans and borrowings                                                                         |           | 102 000        | 136 808        |
| Repayment of loans and borrowings                                                                |           | -85 589        | -55 378        |
| Payment of transaction costs with regard to refinancing obligations                              |           |                | -1 629         |
| Interest paid                                                                                    |           | -4 325         | -4 495         |
| Interest received                                                                                |           | 12             | 66             |
| Repurchase and sale of own shares                                                                |           | -18 657        | 7 881          |
| Dividends paid                                                                                   |           | -16 846        | -23 009        |
| <b>Net cash - used in /+ from financing activities</b>                                           |           | <b>-23 410</b> | <b>60 242</b>  |
| <b>+INCREASE/-DECREASE IN CASH AND CASH EQUIVALENTS</b>                                          |           | <b>-2 192</b>  | <b>43 801</b>  |
| Cash and cash equivalents at beginning of the period                                             | 16        | 18 712         | 16 530         |
| Cash and cash equivalents at end of the period                                                   | 16        | 16 530         | 60 388         |
| Effect of movements in exchange rates on cash and cash equivalents                               |           | 10             | 57             |
| <b>+INCREASE/-DECREASE IN CASH AND CASH EQUIVALENTS</b>                                          |           | <b>-2 192</b>  | <b>43 801</b>  |

The notes on page 64-119 are fully part of these consolidated financial statements.

# Consolidated statement of changes in equity

at 31 December

| IN '000 €                                                                      | 2015                                  |                     |                 |                         |                              |                   |                |
|--------------------------------------------------------------------------------|---------------------------------------|---------------------|-----------------|-------------------------|------------------------------|-------------------|----------------|
|                                                                                | ATTRIBUTABLE TO OWNERS OF THE COMPANY |                     |                 |                         |                              |                   | EQUITY         |
|                                                                                | SHARE CAPITAL AND SHARE PREMIUM       | TRANSLATION RESERVE | HEDGING RESERVE | TREASURY SHARES RESERVE | SHARE-BASED PAYMENTS RESERVE | RETAINED EARNINGS |                |
| <b>AT 31 DECEMBER 2014</b>                                                     | <b>20 106</b>                         | <b>-1 678</b>       | <b>17</b>       | <b>-10 572</b>          | <b>2 911</b>                 | <b>93 948</b>     | <b>104 732</b> |
| Profit for the period                                                          |                                       |                     |                 |                         |                              | 32 255            | 32 255         |
| Items that are or may be reclassified to profit or loss:                       |                                       |                     |                 |                         |                              |                   |                |
| Translation reserve                                                            |                                       | 884                 |                 |                         |                              |                   | 884            |
| Cash flow hedges – effective portion of changes in fair value                  |                                       |                     | 64              |                         |                              |                   | 64             |
| Cash flow hedges – net change in the fair value reclassified to profit or loss |                                       |                     | -29             |                         |                              |                   | -29            |
| Taxes on other comprehensive income                                            |                                       |                     | -12             |                         |                              |                   | -12            |
| <b>Other comprehensive income for the period, net of tax</b>                   |                                       | <b>884</b>          | <b>23</b>       |                         |                              |                   | <b>907</b>     |
| <b>Total comprehensive income</b>                                              |                                       | <b>884</b>          | <b>23</b>       |                         |                              | <b>32 255</b>     | <b>33 162</b>  |
| Dividends                                                                      |                                       |                     |                 |                         |                              | -23 102           | -23 102        |
| Own shares acquired / sold                                                     |                                       |                     |                 | 6 133                   |                              | 1 849             | 7 982          |
| Share-based payment transactions                                               |                                       |                     |                 |                         | -2 664                       | 2 923             | 259            |
| <b>Total transactions with owners, recorded directly in equity</b>             |                                       |                     |                 | <b>6 133</b>            | <b>-2 664</b>                | <b>-18 330</b>    | <b>-14 861</b> |
| <b>AT 31 DECEMBER 2015</b>                                                     | <b>20 106</b>                         | <b>-794</b>         | <b>40</b>       | <b>-4 439</b>           | <b>247</b>                   | <b>107 873</b>    | <b>123 033</b> |

The notes on page 64-119 are fully part of these consolidated financial statements.

| IN '000 €                                                                         | 2014                                  |                        |                    |                              |                                    |                      |                |
|-----------------------------------------------------------------------------------|---------------------------------------|------------------------|--------------------|------------------------------|------------------------------------|----------------------|----------------|
|                                                                                   | ATTRIBUTABLE TO OWNERS OF THE COMPANY |                        |                    |                              |                                    |                      | EQUITY         |
|                                                                                   | SHARE CAPITAL<br>AND SHARE<br>PREMIUM | TRANSLATION<br>RESERVE | HEDGING<br>RESERVE | TREASURY<br>SHARE<br>RESERVE | SHARE-BASED<br>PAYMENTS<br>RESERVE | RETAINED<br>EARNINGS |                |
| <b>AT 31 DECEMBER 2013</b>                                                        | <b>20 106</b>                         | <b>-1 581</b>          | <b>-39</b>         | <b>-8 816</b>                | <b>2 597</b>                       | <b>92 390</b>        | <b>104 657</b> |
| Profit for the period                                                             |                                       |                        |                    |                              |                                    | 35 167               | 35 167         |
| Items that are or may be reclassified<br>to profit or loss:                       |                                       |                        |                    |                              |                                    |                      |                |
| Translation reserve                                                               |                                       | -97                    |                    |                              |                                    |                      | -97            |
| Cash flow hedges – effective portion<br>of changes in fair value                  |                                       |                        | 27                 |                              |                                    |                      | 27             |
| Cash flow hedges – net change in the<br>fair value reclassified to profit or loss |                                       |                        | 60                 |                              |                                    |                      | 60             |
| Taxes on other comprehensive income                                               |                                       |                        | -30                |                              |                                    |                      | -30            |
| <b>Other comprehensive income for<br/>the period, net of tax</b>                  |                                       | <b>-97</b>             | <b>57</b>          |                              |                                    |                      | <b>-40</b>     |
| <b>Total comprehensive income</b>                                                 |                                       | <b>-97</b>             | <b>57</b>          |                              |                                    | <b>35 167</b>        | <b>35 127</b>  |
| Dividends                                                                         |                                       |                        |                    |                              |                                    | -16 847              | -16 847        |
| Own shares acquired / sold                                                        |                                       |                        |                    | -18 667                      |                                    | 74                   | -18 593        |
| Cancellation of treasury shares                                                   |                                       |                        |                    | 16 911                       |                                    | -16 911              |                |
| Share-based payment transactions                                                  |                                       |                        |                    |                              | 314                                | 75                   | 389            |
| <b>Total transactions with owners,<br/>recorded directly in equity</b>            |                                       |                        |                    | <b>-1 756</b>                | <b>314</b>                         | <b>-33 609</b>       | <b>-35 051</b> |
| <b>AT 31 DECEMBER 2014</b>                                                        | <b>20 106</b>                         | <b>-1 678</b>          | <b>17</b>          | <b>-10 572</b>               | <b>2 911</b>                       | <b>93 948</b>        | <b>104 732</b> |

The notes on page 64-119 are fully part of these consolidated financial statements.

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# 1. Significant accounting policies

Kinepolis Group NV (the 'Company') is a company established in Belgium. The consolidated financial statements of the Company for the year ending 31 December 2015 include the Company and its subsidiaries (together the 'Group'). On 23 March 2016 these consolidated financial statements were approved for publication by the Board of Directors.

## 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 2015.

## BASIS OF PREPARATION

The consolidated financial statements are presented in Euro, rounded to the nearest thousand. They 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 available for sale.

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

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

A number of new standards and amendments to existing standards that became applicable to the preparation of the consolidated annual accounts on 1 January 2015 gave no cause to change the Group's accounting rules and have no material impact on the consolidated financial statements, except with regard to IFRIC 21. This interpretation, which was applied retrospectively in 2015, has no material impact on the consolidated financial statements of the Group at 31 December 2015. There was an impact on the seasonality of the result during the year as the moment of recognition of certain levies as debt and as cost has changed during the period.

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

The estimates and related assumptions are based on past experience and on various other factors that are considered reasonable in the given circumstances. The outcomes of these form the basis for the judgment as to the carrying amount of assets and liabilities when this is not evident from other sources. Actual results can differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of estimates are recognized in the period in which the estimates are revised if the revision affects only this period, or in the revision period and future periods if the revision affects both the reporting period and future periods.

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

- ★ Determining the useful life of intangible assets and property, plant and equipment, with the exception of goodwill (see related accounting policies);
- ★ Assessing the necessity of and estimating impairment losses on intangible assets (including goodwill) and property, plant and equipment;
- ★ Recording and calculating provisions;
- ★ Assessing the degree to which losses carried forward will be used in the future;
- ★ Classifying leases (see notes 11 and 25);
- ★ Prospectively evaluating the effectiveness of cash flow hedges (see note 24).
- ★ Determining the fair value of the contingent considerations within the framework of business combinations (see notes 10 and 24).

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

### Recoverability of deferred tax assets

Deferred tax assets for unused tax losses will only be recognized if future taxable profits will be available to be able to recover these losses (based on budgets and forecasts). The actual tax result may differ from the assumption made when the deferred tax was recorded. We refer to note 13 for the relevant assumptions.

### **Impairment tests for intangible assets, goodwill, and property, plant and equipment**

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

### **Provisions**

The estimates and judgments that most impact the amount of the provisions are the estimated costs and the expected likelihood and timing of the cash outflows. They are based on the most recent available information at the balance sheet date. We refer to note 21 for the relevant assumptions.

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

## **BASIS OF CONSOLIDATION**

### **Business combinations**

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

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

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

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), 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. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

### **Subsidiaries**

Subsidiaries are those entities over which the Company exercises control. By control is understood that the Company is exposed to or has right to variable returns from its involvement in the investee, and has the ability to affect these returns through its power over the investee.

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

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

If the Group no longer has control over a subsidiary all assets and liabilities of the subsidiary, any non-controlling interests and other equity components with regard to the subsidiary are derecognized and the ensuing gains or losses are recognized in the income statement. Each result with regard to the loss of control will be included in the income statement. Any remaining interest in the former subsidiary will be recognized at fair value on the date of loss of control, after which it will be recognized as an associated company or as a financial asset available for sale, depending on the level of control retained.

### **Equity accounted investees**

Equity accounted investees are entities over which the Group exercises significant influence, but not control or joint control, over the financial and operational policies. Significant influence is deemed to exist when the Group

holds between 20 and 50 percent of the voting rights of another entity. Participating interests in equity accounted investees are recorded using the equity method and are initially recognized at cost. The transaction costs are included in the cost price of the investment. The consolidated financial statements include the Group's share in the comprehensive income of the investments, which is recorded following the equity method, from the starting to the ending date of this significant influence. Whenever the Group's share in the losses exceeds the carrying amount of the investments in equity accounted investees, the carrying amount is reduced to zero and future losses are no longer recognized, except to the extent that the Group has an obligation on behalf of the investees. When there are impairment indicators, the accounting policy concerning impairment losses is applied.

#### **Acquisition of non-controlling interests**

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

#### **Transactions eliminated on consolidation**

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

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

### **FOREIGN CURRENCY**

#### **Transactions in foreign currencies**

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

assets and liabilities in foreign currencies recognized at fair value are translated to Euro at the exchange rates on the date on which the fair value was determined. Exchange rate differences occurring in the translation are immediately recognized in the income statement, with the exception of exchange rate differences with regard to equity instruments available for sale.

#### **Financial statements in foreign currencies**

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

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

If the settlement of monetary receivables from and payables to foreign entities is neither planned nor likely in the foreseeable future, exchange rate gains and losses on these monetary items are deemed to be part of the net investment in these foreign entities and recognized in other comprehensive income under the translation reserve.

### **FINANCIAL INSTRUMENTS**

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

#### **Non-derivative financial instruments**

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

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

### ***Cash and cash equivalents***

Cash and cash equivalents comprise the cash and deposits withdrawable on demand with a remaining term of no more than three months, whereby the risk of changes in the fair value is negligible. Bank overdrafts that are repayable on demand, which are an integral part of the Group's cash management are viewed as part of cash and cash equivalents in the presentation of the cash flow statement.

### ***Financial assets available for sale***

#### ***Investments in equity securities***

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

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

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

### ***Other non-derivative financial instruments***

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

### **Share capital**

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

***Treasury shares:*** When share capital classified as equity is reacquired by the Company, the amount paid, including directly attributable costs, is viewed as a change in equity.

Purchase of treasury shares is recognized as a deduction from equity. The profit or loss pursuant to the sale or cancellation of treasury shares is directly recognized in equity.

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

### **Derivative financial instruments**

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

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

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

### **Hedging**

#### ***Cash flow hedges***

Whenever derivative financial instruments serve to hedge the variability in cash flows of a liability or a highly probable future transaction, the effective portion of the changes in fair value of these derivatives is recorded directly in equity. When the future transaction results in the recording of a non-financial asset, the cumulative profits or losses are removed from equity and transferred to the carrying amount of the asset. In the other case the cumulative profits or losses are removed from equity and transferred to the income statement at the same time as the hedged transaction. The non-effective portion is

recognized immediately in the income statement. Profits or losses deriving from changes in the time value of derivatives are not taken into consideration in determining the effectiveness of the hedging transaction and are recognized immediately in the income statement.

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

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

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

#### ***Fair value hedges***

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

## **PROPERTY, PLANT AND EQUIPMENT**

### **Owned assets**

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairments (see below). The cost of self-constructed assets includes the cost price of the materials, direct employee benefit expenses and a proportionate share of the production overhead, any costs of dismantling and removal of the asset and the costs of restoring the location where the asset is located. Where parts of an item of property, plant and equipment have different useful lives, these are accounted for as separate property, plant and equipment items.

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

### **Leased assets**

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

### **Subsequent expenditure**

The cost price of replacing part of a property, plant and equipment is included in the carrying value of the asset whenever it is probable that the future economic benefits relating to the assets will flow to the Group and the cost price of the assets can be measured reliably. The cost of daily maintenance of property, plant and equipment is expensed in the income statement as and when incurred.

### **Depreciation**

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

The estimated useful lives are:

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

## INVESTMENT PROPERTY

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

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

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

## INTANGIBLE ASSETS AND GOODWILL

### Goodwill

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

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

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

### Intangible assets

Intangible assets acquired by the Group are measured at cost less accumulated amortization and impairment losses (see below). Costs of internally generated goodwill and brands are recognized in the income statement as incurred.

### Internally generated intangible assets

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

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

### Subsequent expenditure

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

### Amortization

Amortization is charged to the income statement by the straight-line method over the expected useful life of the intangible asset. Intangible assets are amortized from the date they are ready for their intended use. Their estimated useful life is 3 to 10 years. The residual value, useful lives and amortization methods are reviewed annually. The Group has no intangible assets with indefinite useful life.

## INVENTORIES

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

The cost of inventories includes the costs incurred in acquiring the inventories and bringing them to their present location and condition. Inventories are measured using the FIFO method.

## IMPAIRMENT

### Non-financial assets

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

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

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

An impairment is reversed when the reversal can be objectively linked to an event occurring after the impairment was recorded. A previously recorded impairment is reversed when a change has occurred in the estimates used in determining the recoverable amount, but not in a

higher amount than the net carrying amount that would have been determined if no impairment had been recorded in previous years. Goodwill impairments are not reversed.

### Non-derivative financial assets

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

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

### Financial assets measured at amortized cost

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

An impairment loss with regard to a financial asset measured at amortized cost is calculated as the difference between the carrying amount and the present value of the expected future cash flows, discounted at the original effective interest rate of the asset. Current receivables are not discounted. Losses are recognized in the income statement.

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

#### **Financial assets available for sale**

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

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

#### **ASSETS CLASSIFIED AS HELD FOR SALE**

Non-current assets (or groups of assets and liabilities being disposed of) that are expected to be recovered mainly via a sales transaction and not through the continuing use thereof are classified as held for sale. Directly prior to this classification the assets (or the components of a group of assets being disposed of) are remeasured in accordance with the Group's financial accounting policies. Hereafter the assets (or a group of assets to be disposed of) are measured on the basis of their carrying amount or, if lower, fair value less cost to sell. Non-current assets are no longer depreciated as soon

as they are classified as held for sale. Any impairment loss on a disposal group is allocated in the first place against goodwill and then, proportionally, against the remaining assets and liabilities, except that no impairments are allocated against inventories, financial assets, deferred tax assets and employee benefit assets, which will continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification and gains and losses on subsequent measurement are recognized in the income statement.

#### **EMPLOYEE BENEFITS**

##### **Short-term employee benefits**

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

##### **Post employment benefits**

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

##### **Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized 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. To the extent that the legally guaranteed return is adequately covered by the insurance company, the Group has not further payment obligation towards the insurance company or the employee beyond the pension contributions, recognized through profit and

loss in the year in which they are owed. Until the IASB and the IFRS IC take a final position on the accounting treatment of this type of pension plan, the Group measures the liability at its intrinsic value. This implies that the calculation of the liability takes into account the guaranteed minimum return only until the reporting date.

#### **Share-based payments and related benefits**

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

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

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

#### **Termination benefits**

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

## **PROVISIONS**

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

#### **Restructuring**

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

#### **Site restoration**

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

#### **Onerous contracts**

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

## **REVENUE**

#### **Sales of goods and services**

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

- ★ Box office revenue from the sale of cinema tickets (and 3D glasses) is recognized as revenue on the date of showing of the film it relates to;

- ★ In-theatre sales (ITS) comprises all revenue from the sale of beverages, snacks and merchandise in the multiplexes. In-theatre sales are recognized as revenue at the checkout;
- ★ Revenue from the advance sale of tickets or other prepaid gift vouchers are recognized in current loans and borrowings and recognized as revenue when the ticket holder uses the ticket. The administrative fee is immediately recognized as revenue;
- ★ Events (business to business) are recognized as revenue as soon as the event is held. If the event takes place over a longer period of time, the revenue is recognized on a straight line basis over the duration of the event;
- ★ Revenue generated from screen advertising is recognized spread over the period in which the advertising is shown;
- ★ The theatrical revenue from film distribution will be recognized over the term of the film when the number of visitors is known. Revenue from after theatrical rights are recognized when they can be reasonably measured.

#### **Rental income**

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

#### **Government grants**

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

#### **Finance income**

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

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

Foreign exchange gains and losses are compensated per currency.

## **EXPENSES**

#### **Payments relating to operating lease agreements**

Payments relating to operating lease agreements are taken into the income statement on a straight-line basis over the lease period.

#### **Payments relating to finance lease agreements**

The minimum lease payments are recorded partly as finance expenses and partly as repayment of the outstanding liability. Finance expenses are allocated to each period of the total lease period in such a way as to give a constant periodical interest rate over the remaining balance of the liability.

#### **Finance expenses**

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

Interest charges are recognized based on the effective interest method.

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

Foreign exchange gains and losses are compensated per currency.

## **INCOME TAX EXPENSE**

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

Current tax consists of the expected tax payable on the taxable profit of the year, calculated using tax rates enacted or substantively enacted at the balance sheet date, as well as tax adjustments in respect of prior years. The amount of current income tax is determined on the basis of the best estimate of the tax gain or expense, with due consideration for any uncertainty with regard to income tax. Relating to the uncertain tax position regarding the Belgian Excess Profit Ruling (EPR), we refer to notes 8 and 29.

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

Deferred tax is recorded based on the balance sheet method, for all temporary differences between the taxable base and the carrying amount for financial reporting purposes, for both assets and liabilities. No deferred taxes are recorded for the following temporary differences: initial recording of goodwill, initial recording of assets and liabilities in a transaction that is not a business combination and that do not affect the accounting or taxable profits and differences relating to investments in subsidiaries to the extent that an offsetting entry is unlikely in the near future. The amount of the deferred tax is based on expectations as to the realization of the carrying value of the assets and liabilities, using the tax rates in effect or those of which the enactment has been substantively completed at the balance sheet date.

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

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

## SEGMENT REPORTING

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

## DISCONTINUED OPERATIONS

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

## NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments and interpretations were not yet effective in the fiscal year ending 31 December 2015 and have therefore not been applied to the present consolidated financial statements.

**IFRS 9 Financial Instruments**, published in July 2014, serves to replace the existing guideline as included in IAS 39 Financial instruments: recognition and measurement. IFRS 9 contains revised stipulations with regard to the classification and valuation of financial instruments, including a new model for expected credit losses for calculating the depreciation of financial assets and the new general requirements for hedge accounting that bring hedge accounting further into line with risk management. Furthermore, IFRS 9 adopts the stipulations in IAS 39 for recognizing and no longer recognizing financial instruments. IFRS 9 is effective for fiscal years that begin on or after January 2018. Earlier application is permitted. This new standard has not yet been ratified by the EU. The Group does not intend to early adopt this standard. These amendments are expected to have no significant influence on the consolidated financial statements of the Group.

**IFRS 15 Revenue from Contracts with Customers** provides an extensive framework to determine whether, how much and when revenue must be accounted for. The standard serves to replace the existing stipulations for recognizing revenue, including IAS 18 Revenue, IAS 11 Construction Projects and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for fiscal years that begin on or after January 2018. Earlier application is permitted. This new standard has not yet been ratified by the EU. The Group is currently evaluating the possible effect of application on the consolidated financial statements. The potential impact will primarily relate to the business-to-business and screen advertising revenue from film distribution.

**Amendments to IFRS – 2012-2014 cycle** is a collection of minor improvements in four existing standards. This collection, which must be applied to the consolidated financial statements of 2016, is expected to have no major impact on the consolidated financial statements of the Group.

**Accounting for acquisitions of interests in joint operations (amendments in IFRS 11)** determines that when an entity acquires an interest in a joint operation that is a business, as defined in IFRS 3, it shall apply all of the principles on business combinations accounting in IFRS 3, and other IFRSs, that do not conflict with the guidance in this IFRS. The amendments which become mandatory for the Group's 2016 consolidated financial statements, are not expected to have a material impact on the Group's consolidated financial statements.

**Clarification of acceptable methods of depreciation and amortisation (amendments in IAS 16 and IAS 38)** emphasizes that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. For intangible assets, only in limited circumstances revenue-based amortization can be permitted. The amendments which become mandatory for the 2016 consolidated financial statements, are not expected to have a material impact on the Group's consolidated financial statements. These amendments have not yet been endorsed by the EU.

**Amendments within the framework of the disclosure initiative (amendment to IAS 1)** are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The narrow-focus amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to the following: materiality; order of the notes; subtotals; accounting policies; and disaggregation. The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier adoption permitted. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

**Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures)** clarify which subsidiaries of an investment entity should be consolidated instead of being measured at fair value; confirm that the exemption from presenting consolidated financial statements continues to apply to subsidiaries of an investment entity that are themselves parent entities; and permits, but does not require, a non-investment entity investor to retain the fair value through profit or loss measurement applied by an investment entity associate or joint venture for their subsidiaries when applying the equity method. The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier adoption permitted. The amendments are not expected to have a material impact on the Group's consolidated financial statements. These amendments have not yet been endorsed by the EU.

There are no other standards or interpretations that are not yet effective in 2015 and that could have a material impact on the Group.

## 2. Segment reporting

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

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

Finance income and expense, income tax expense and their related assets and liabilities are not monitored by segment by the Group's CEOs and CFO.

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

### GEOGRAPHIC SEGMENTS

The Group's activities are managed and monitored on a country basis. The main geographic markets are Belgium, France, Spain, The Netherlands and Luxembourg. The Polish and Swiss activities are combined in the 'Other' geographic segment, in accordance with the internal reporting to the Group's CEOs and CFO. Luxembourg was added as a segment as a result of the Utopolis acquisition.

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.



Geographic  
markets

## INCOME STATEMENT

| IN '000 €                      | 2015          |               |               |              |            |                              |               |               |
|--------------------------------|---------------|---------------|---------------|--------------|------------|------------------------------|---------------|---------------|
|                                | BELGIUM       | FRANCE        | SPAIN         | NETHERLANDS  | LUXEMBOURG | OTHER (POLAND & SWITZERLAND) | NOT ALLOCATED | TOTAL         |
| Segment revenue                | 187 990       | 65 169        | 41 579        | 23 114       | 3 428      | 4 937                        |               | 326 217       |
| Inter-segment revenue          | -23 164       | -823          | -546          | -3           | -66        | -44                          |               | -24 646       |
| Revenue                        | 164 826       | 64 346        | 41 033        | 23 111       | 3 362      | 4 893                        |               | 301 571       |
| Cost of sales                  | -107 035      | -42 182       | -30 309       | -16 551      | -2 820     | -3 096                       |               | -201 993      |
| <b>Gross profit</b>            | <b>57 791</b> | <b>22 164</b> | <b>10 724</b> | <b>6 560</b> | <b>542</b> | <b>1 797</b>                 |               | <b>99 578</b> |
| Marketing and selling expenses | -11 657       | -2 474        | -2 157        | -970         | -74        | -206                         |               | -17 538       |
| Administrative expenses        | -13 189       | -1 386        | -833          | -1 871       | -94        | -343                         |               | -17 716       |
| Other operating income         | 226           | 764           | 5             | 1            | 182        | -1                           |               | 1 177         |
| Other operating expenses       | -235          | -13           |               | -8           |            |                              |               | -256          |
| <b>Segment profit</b>          | <b>32 936</b> | <b>19 055</b> | <b>7 739</b>  | <b>3 712</b> | <b>556</b> | <b>1 247</b>                 |               | <b>65 245</b> |
| Finance income                 |               |               |               |              |            |                              | 1 140         | 1 140         |
| Finance expenses               |               |               |               |              |            |                              | -8 894        | -8 894        |
| <b>Profit before tax</b>       |               |               |               |              |            |                              |               | <b>57 491</b> |
| Income tax expense             |               |               |               |              |            |                              | -25 236       | -25 236       |
| <b>PROFIT FOR THE PERIOD</b>   |               |               |               |              |            |                              |               | <b>32 255</b> |

## STATEMENT OF FINANCIAL POSITION – ASSETS

| IN '000 €                        | 2015           |                |               |               |               |                              |               |                |
|----------------------------------|----------------|----------------|---------------|---------------|---------------|------------------------------|---------------|----------------|
|                                  | BELGIUM        | FRANCE         | SPAIN         | NETHERLANDS   | LUXEMBOURG    | OTHER (POLAND & SWITZERLAND) | NOT ALLOCATED | TOTAL          |
| Intangible assets                | 4 476          | 384            | 250           |               | 1             |                              |               | 5 111          |
| Goodwill                         | 6 586          | 11 804         | 2 858         | 19 661        | 5 845         | 6 502                        |               | 53 256         |
| Property, plant and equipment    | 80 732         | 70 255         | 47 650        | 68 556        | 14 796        | 7 212                        |               | 289 201        |
| Investment property              | 14 082         |                | 6 721         |               |               | 11 162                       |               | 31 965         |
| Deferred tax assets              |                |                |               |               |               |                              | 670           | 670            |
| Other receivables                | 34             | 11 318         | 483           | -20           | 30            |                              |               | 11 845         |
| Other financial assets           |                |                |               |               |               |                              | 27            | 27             |
| <b>Non-current assets</b>        | <b>105 910</b> | <b>93 761</b>  | <b>57 962</b> | <b>88 197</b> | <b>20 672</b> | <b>24 876</b>                | <b>697</b>    | <b>392 075</b> |
| Inventories                      | 3 056          | 665            | 480           | 332           | 91            | 70                           |               | 4 694          |
| Trade and other receivables      | 20 559         | 6 584          | 1 434         | 2 088         | 2 114         | 213                          |               | 32 992         |
| Current tax assets               |                |                |               |               |               |                              | 442           | 442            |
| Cash and cash equivalents        |                |                |               |               |               |                              | 60 432        | 60 432         |
| Derivative financial instruments |                |                |               |               |               |                              | 64            | 64             |
| <b>Current assets</b>            | <b>23 615</b>  | <b>7 249</b>   | <b>1 914</b>  | <b>2 420</b>  | <b>2 205</b>  | <b>283</b>                   | <b>60 938</b> | <b>98 624</b>  |
| <b>TOTAL ASSETS</b>              | <b>129 525</b> | <b>101 010</b> | <b>59 876</b> | <b>90 617</b> | <b>22 877</b> | <b>25 159</b>                | <b>61 635</b> | <b>490 699</b> |

## STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

| IN '000 €                                                 | 2015          |               |              |               |              |                              |                |                |
|-----------------------------------------------------------|---------------|---------------|--------------|---------------|--------------|------------------------------|----------------|----------------|
|                                                           | BELGIUM       | FRANCE        | SPAIN        | NETHERLANDS   | LUXEMBOURG   | OTHER (POLAND & SWITZERLAND) | NOT ALLOCATED  | TOTAL          |
| Share capital and share premiums                          |               |               |              |               |              |                              | 20 106         | 20 106         |
| Consolidated reserves                                     |               |               |              |               |              |                              | 103 721        | 103 721        |
| Translation reserve                                       |               |               |              |               |              |                              | -794           | -794           |
| <b>Total equity attributable to owners of the Company</b> |               |               |              |               |              |                              | <b>123 033</b> | <b>123 033</b> |
| <b>Equity</b>                                             |               |               |              |               |              |                              | <b>123 033</b> | <b>123 033</b> |
| Financial liabilities                                     |               |               |              |               |              |                              | 214 000        | 214 000        |
| Provisions                                                | 2 251         | 205           |              | 4 705         |              |                              |                | 7 161          |
| Deferred tax liabilities                                  |               |               |              |               |              |                              | 19 868         | 19 868         |
| Other payables                                            | 1 289         | 8 668         | 153          | 14            |              |                              |                | 10 124         |
| <b>Non-current liabilities</b>                            | <b>3 540</b>  | <b>8 873</b>  | <b>153</b>   | <b>4 719</b>  |              |                              | <b>233 868</b> | <b>251 153</b> |
| Bank overdrafts                                           |               |               |              |               |              |                              | 44             | 44             |
| Financial liabilities                                     |               |               |              |               |              |                              | 8 714          | 8 714          |
| Trade and other payables                                  | 50 410        | 18 654        | 6 912        | 7 492         | 2 645        | 853                          |                | 86 966         |
| Provisions                                                | 137           | 616           |              |               |              |                              |                | 753            |
| Current tax liabilities                                   |               |               |              |               |              |                              | 20 036         | 20 036         |
| <b>Current liabilities</b>                                | <b>50 547</b> | <b>19 270</b> | <b>6 912</b> | <b>7 492</b>  | <b>2 645</b> | <b>853</b>                   | <b>28 794</b>  | <b>116 513</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>                       | <b>54 087</b> | <b>28 143</b> | <b>7 065</b> | <b>12 211</b> | <b>2 645</b> | <b>853</b>                   | <b>385 695</b> | <b>490 699</b> |

## CAPITAL EXPENDITURE

| IN '000 €                  | 2015         |              |              |               |            |                              |               |               |
|----------------------------|--------------|--------------|--------------|---------------|------------|------------------------------|---------------|---------------|
|                            | BELGIUM      | FRANCE       | SPAIN        | NETHERLANDS   | LUXEMBOURG | OTHER (POLAND & SWITZERLAND) | NOT ALLOCATED | TOTAL         |
| <b>CAPITAL EXPENDITURE</b> | <b>7 244</b> | <b>1 990</b> | <b>2 876</b> | <b>41 422</b> | <b>3</b>   | <b>87</b>                    |               | <b>53 622</b> |

## NON-CASH ELEMENTS

| IN '000 €                                              | 2015          |              |              |              |            |                              |               |               |
|--------------------------------------------------------|---------------|--------------|--------------|--------------|------------|------------------------------|---------------|---------------|
|                                                        | BELGIUM       | FRANCE       | SPAIN        | NETHERLANDS  | LUXEMBOURG | OTHER (POLAND & SWITZERLAND) | NOT ALLOCATED | TOTAL         |
| Depreciation, amortization, provisions and impairments | 12 427        | 5 475        | 2 693        | 1 809        | 575        | 516                          |               | 23 495        |
| Other                                                  | 255           | 3            | 1            |              |            |                              |               | 259           |
| <b>TOTAL</b>                                           | <b>12 682</b> | <b>5 478</b> | <b>2 694</b> | <b>1 809</b> | <b>575</b> | <b>516</b>                   |               | <b>23 754</b> |

## INCOME STATEMENT

| IN '000 €                      | 2014          |               |              |              |                              |               |               |
|--------------------------------|---------------|---------------|--------------|--------------|------------------------------|---------------|---------------|
|                                | BELGIUM       | FRANCE        | SPAIN        | NETHERLANDS  | OTHER (POLAND & SWITZERLAND) | NOT ALLOCATED | TOTAL         |
| Segment revenue                | 172 752       | 61 323        | 33 582       | 9 887        | 4 084                        |               | 281 628       |
| Inter-segment revenue          | -17 536       | -805          | -594         |              | -74                          |               | -19 009       |
| Revenue                        | 155 216       | 60 518        | 32 988       | 9 887        | 4 010                        |               | 262 619       |
| Cost of sales                  | -104 052      | -40 397       | -26 224      | -7 330       | -2 773                       |               | -180 776      |
| <b>Gross profit</b>            | <b>51 164</b> | <b>20 121</b> | <b>6 764</b> | <b>2 557</b> | <b>1 237</b>                 |               | <b>81 843</b> |
| Marketing and selling expenses | -11 043       | -2 504        | -1 921       | -422         | -179                         |               | -16 069       |
| Administrative expenses        | -11 900       | -1 432        | -1 143       | -831         | -277                         |               | -15 583       |
| Other operating income         | 148           | 650           | 13           | 5            |                              |               | 816           |
| Other operating expenses       | -150          | -157          | -34          | -1           |                              |               | -342          |
| <b>Segment profit</b>          | <b>28 219</b> | <b>16 678</b> | <b>3 679</b> | <b>1 308</b> | <b>781</b>                   |               | <b>50 665</b> |
| Finance income                 |               |               |              |              |                              | 2 390         | 2 390         |
| Finance expenses               |               |               |              |              |                              | -6 685        | -6 685        |
| <b>Profit before tax</b>       |               |               |              |              |                              |               | <b>46 370</b> |
| Income tax expense             |               |               |              |              |                              | -11 203       | -11 203       |
| <b>PROFIT FOR THE PERIOD</b>   |               |               |              |              |                              |               | <b>35 167</b> |

## STATEMENT OF FINANCIAL POSITION – ASSETS

| IN '000 €                        | 2014           |               |               |               |                              |               |                |
|----------------------------------|----------------|---------------|---------------|---------------|------------------------------|---------------|----------------|
|                                  | BELGIUM        | FRANCE        | SPAIN         | NETHERLANDS   | OTHER (POLAND & SWITZERLAND) | NOT ALLOCATED | TOTAL          |
| Intangible assets                | 3 383          | 376           | 239           |               |                              |               | 3 998          |
| Goodwill                         | 6 586          | 3 299         | 2 858         | 16 871        | 6 502                        |               | 36 116         |
| Property, plant and equipment    | 86 948         | 61 398        | 47 607        | 12 800        | 6 582                        |               | 215 335        |
| Investment property              | 14 444         |               | 6 721         |               | 11 463                       |               | 32 628         |
| Deferred tax assets              |                |               |               |               |                              | 1 308         | 1 308          |
| Other receivables                | 33             | 12 240        | 378           | 5             |                              |               | 12 656         |
| Other financial assets           |                |               |               |               |                              | 27            | 27             |
| <b>Non-current assets</b>        | <b>111 394</b> | <b>77 313</b> | <b>57 803</b> | <b>29 676</b> | <b>24 547</b>                | <b>1 335</b>  | <b>302 068</b> |
| Inventories                      | 2 110          | 737           | 491           | 220           | 78                           |               | 3 636          |
| Trade and other receivables      | 16 849         | 4 223         | 1 525         | 1 568         | 128                          |               | 24 293         |
| Current tax assets               |                |               |               |               |                              | 40            | 40             |
| Cash and cash equivalents        |                |               |               |               |                              | 17 000        | 17 000         |
| Derivative financial instruments |                |               |               |               |                              | 27            | 27             |
| <b>Current assets</b>            | <b>18 959</b>  | <b>4 960</b>  | <b>2 016</b>  | <b>1 788</b>  | <b>206</b>                   | <b>17 067</b> | <b>44 996</b>  |
| <b>TOTAL ASSETS</b>              | <b>130 353</b> | <b>82 273</b> | <b>59 819</b> | <b>31 464</b> | <b>24 753</b>                | <b>18 402</b> | <b>347 064</b> |

## STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

| IN '000 €                                                 | 2014          |               |              |              |                              |                |                |
|-----------------------------------------------------------|---------------|---------------|--------------|--------------|------------------------------|----------------|----------------|
|                                                           | BELGIUM       | FRANCE        | SPAIN        | NETHERLANDS  | OTHER (POLAND & SWITZERLAND) | NOT ALLOCATED  | TOTAL          |
| Share capital and share premiums                          |               |               |              |              |                              | 20 106         | 20 106         |
| Consolidated reserves                                     |               |               |              |              |                              | 86 304         | 86 304         |
| Translation reserve                                       |               |               |              |              |                              | -1 678         | -1 678         |
| <b>Total equity attributable to owners of the Company</b> |               |               |              |              |                              | <b>104 732</b> | <b>104 732</b> |
| <b>Equity</b>                                             |               |               |              |              |                              | <b>104 732</b> | <b>104 732</b> |
| Financial liabilities                                     |               |               |              |              |                              | 91 471         | 91 471         |
| Provisions                                                | 2 181         | 316           |              |              |                              |                | 2 467          |
| Deferred tax liabilities                                  |               |               |              |              |                              | 15 855         | 15 855         |
| Other payables                                            |               | 7 336         | 21           |              |                              |                | 7 357          |
| <b>Non-current liabilities</b>                            | <b>2 181</b>  | <b>7 652</b>  | <b>21</b>    |              |                              | <b>107 326</b> | <b>117 180</b> |
| Bank overdrafts                                           |               |               |              |              |                              | 470            | 470            |
| Financial liabilities                                     |               |               |              |              |                              | 44 095         | 44 095         |
| Trade and other payables                                  | 46 853        | 14 753        | 6 078        | 3 830        | 780                          |                | 72 294         |
| Provisions                                                | 185           | 425           |              |              |                              |                | 610            |
| Current tax liabilities                                   |               |               |              |              |                              | 7 683          | 7 683          |
| <b>Current liabilities</b>                                | <b>47 038</b> | <b>15 178</b> | <b>6 078</b> | <b>3 830</b> | <b>780</b>                   | <b>52 248</b>  | <b>125 152</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>                       | <b>49 219</b> | <b>22 830</b> | <b>6 099</b> | <b>3 830</b> | <b>780</b>                   | <b>264 306</b> | <b>347 064</b> |

## CAPITAL EXPENDITURE

| IN '000 €                  | 2014          |              |              |              |                              |               |               |
|----------------------------|---------------|--------------|--------------|--------------|------------------------------|---------------|---------------|
|                            | BELGIUM       | FRANCE       | SPAIN        | NETHERLANDS  | OTHER (POLAND & SWITZERLAND) | NOT ALLOCATED | TOTAL         |
| <b>CAPITAL EXPENDITURE</b> | <b>25 035</b> | <b>2 721</b> | <b>3 185</b> | <b>1 677</b> | <b>121</b>                   |               | <b>32 739</b> |

## NON-CASH ELEMENTS

| IN '000 €                                              | 2014          |              |              |             |                              |               |               |
|--------------------------------------------------------|---------------|--------------|--------------|-------------|------------------------------|---------------|---------------|
|                                                        | BELGIUM       | FRANCE       | SPAIN        | NETHERLANDS | OTHER (POLAND & SWITZERLAND) | NOT ALLOCATED | TOTAL         |
| Depreciation, amortization, provisions and impairments | 11 637        | 5 210        | 2 765        | 561         | 465                          |               | 20 638        |
| Other                                                  | 378           | 7            | 4            |             |                              |               | 389           |
| <b>TOTAL</b>                                           | <b>12 015</b> | <b>5 217</b> | <b>2 769</b> | <b>561</b>  | <b>465</b>                   |               | <b>21 027</b> |

### 3. Revenue

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

| IN '000 €            | 2014           | 2015           |
|----------------------|----------------|----------------|
| Box office           | 140 883        | 163 642        |
| In-theatre sales     | 55 905         | 66 469         |
| Business-to-business | 38 586         | 43 486         |
| Brightfish           | 12 430         | 13 337         |
| Film distribution    | 4 923          | 3 579          |
| Real estate          | 9 573          | 10 972         |
| Technical department | 319            | 86             |
| <b>TOTAL</b>         | <b>262 619</b> | <b>301 571</b> |

Box office revenue increased due to rising visitor numbers, increasing sales per visitor in all countries and, to a limited extent, the changed country spread as a consequence of the expansion. Belgium's lower share in the country mix was set off by the addition of The Netherlands and Luxembourg, two cinema markets with higher than average sales per visitor. The success of premium offers such as Laser Ultra, Cosy Seating and 3D also contributed to the rise in revenue per visitor. The increase in the number of visitors (+12.5%) was mainly due to the expansion and a strong international film offer in the fourth quarter and organic growth in Spain.

In-theatre sales also increased due to higher visitor numbers and the higher revenue per visitor in all countries, which was a consequence of the larger share of commercial films compared with the previous year. The addition of The Netherlands contributed to the higher revenue per visitor.

Business-to-business revenue increased due to more events, higher sales of cinema vouchers to businesses and a rise in revenue from screen advertising.

Business-to-business revenue includes exchange deals for € 11.8 million (2014: € 11.0 million).

Brightfish generated more revenue primarily due to a strong increase in events with partners. The revenue from screen advertising decreased due to lower revenue from national campaigns.

The revenue from film distribution fell: the strong second semester could not compensate the lack of local releases in the first semester and the success of 'The Wolf of Wall Street' in early 2014.

The higher real estate revenue was mainly driven by the expansion and the lease of the Toison d'Or cinema building in Brussels (Belgium) and the success of concessions managed in-house, such as the Leonidas Chocolates Café, the Ola Happiness Station and The Magic Forest.

### 4. Other operating income and expenses

#### OTHER OPERATING INCOME

| IN '000 €                                                  | 2014       | 2015         |
|------------------------------------------------------------|------------|--------------|
| Government grants                                          | 724        | 791          |
| Reversal of provisions                                     |            | 181          |
| Capital gains on disposal of property, plant and equipment | 48         | 41           |
| Other                                                      | 44         | 164          |
| <b>TOTAL</b>                                               | <b>816</b> | <b>1 177</b> |

#### Government grants

The Group receives government grants in France from the Centre national du cinéma et de l'image animée (CNC) for cinema related investments. These grants come from a fund

financed by contributions from cinema operators in the form of a percentage of ticket sales. The grants are recorded as liabilities and taken into result over the useful life of the related assets at € 0.7 million in 2015 (2014: € 0.6 million).

## OTHER OPERATING EXPENSES

| IN '000 €                                           | 2014        | 2015        |
|-----------------------------------------------------|-------------|-------------|
| Losses on disposal of property, plant and equipment | -34         | -240        |
| Losses on disposal of trade receivables             | -270        |             |
| Accelerated amortization of intangible assets       | -33         |             |
| Other                                               | -5          | -16         |
| <b>TOTAL</b>                                        | <b>-342</b> | <b>-256</b> |

Losses on disposal of property, plant and equipment primarily relate to the sale of projectors in Spain

## 5. Employee benefit expenses

| IN '000 €                                         | 2014           | 2015           |
|---------------------------------------------------|----------------|----------------|
| Wages and salaries                                | -31 218        | -34 008        |
| Social security contributions                     | -8 234         | -8 909         |
| Employer contributions for employee insurances    | -475           | -728           |
| Share-based payments                              | -389           | -259           |
| Other employee benefits                           | -2 316         | -1 899         |
| <b>TOTAL</b>                                      | <b>-42 632</b> | <b>-45 803</b> |
| Total full-time equivalents at balance sheet date | 965            | 1 091          |

The increase in employee benefit expenses in 2015 is mainly due to the higher number of full-time equivalents at 31 December 2015. The rise in the number of full-time equivalents, due to the Group's expansion in Luxembourg, France and The Netherlands, is partly offset by improved efficiency in staff planning in the cinemas in all countries and the maximized use of temporary staff in Belgium.

The 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.

### Pension plans

A number of the Group's Belgian employees have a supplementary pension insurance.

Costs related to the Belgian pension plans were € 0.3 million in 2015 and € 0.3 million in 2014. The expected contributions for 2016 are € 0.3 million.

In Belgium employers are obliged to guarantee a minimum return on defined contribution plans throughout the employee's career (branch 21 type). The contributions comprise a fixed percentage of the salary, part of which is paid by the employer and part of which is paid by the employee. If the legal minimum return is sufficiently covered by the insurance company, the Group has not further

payment obligation towards the insurance company or the employee beyond the pension contributions, which are recognized through profit and loss in the year in which they are owed. As a consequence of a law amendment of 18 December 2015 the minimum return guaranteed by the employer is as follows:

- ★ for the contributions paid as from 1 January 2016, the new variable minimum return is based on OLO rates, with a minimum of 1.75% and a maximum of 3.75%. In view of the low rates of the OLO in the last years, the return has been initially set to 1.75%;
- ★ for the contributions paid until end December 2015, the previously applicable legal returns (3.25% and 3.75% respectively on the employer and employee contributions) continue to apply until the retirement date of the participants.

Given the guaranteed minimum return, these plans qualify as defined pension plans.

In 2015 the Group opted for the intrinsic value method which consists of calculating the minimum guaranteed reserve for each member separately (taking into account an interest rate of 3.75% for employee contributions and an interest rate of 3.25% for employer contributions) and the mathematical reserve, both at financial reporting date. The guaranteed reserve is equal to the higher of the minimum guaranteed reserve and the mathematical reserve.

A deficit occurs when the guaranteed reserve is higher than the mathematical reserve. Based on the quantitative disclosures, as shown in the table opposite, the Group concludes that there is no deficit in the plans compared to the minimum guaranteed returns on the contributions. In the event of a deficit, the Group will set up a provision equal to the deficit compared to the minimum guaranteed returns on the contributions.

The calculation of the liability takes into account the minimum guaranteed return only until the reporting date. The fact that the minimum guaranteed return must be achieved in the future can have an impact on future cash flows.

The two biggest arguments in favour of the accounting policy choice are as follows: A strict application of the projected unit credit (PUC) method, as prescribed by IAS 19, would require an assumption about the evolution of the minimum guaranteed return on future contributions in order to determine a best estimate of the projected benefits. If the best estimate of the expected rate of return is the currently applicable guaranteed rate of return, this assumption could be viewed as incompatible with the other assumptions in a period of low discount rate.

The application of the PUC method also requests that the benefits could be determined on a projected basis. This is not

the case since the return on contributions is equal to the maximum between the minimum guaranteed rate of return and the return realized by the fund. Further the minimum guaranteed return may also vary on legislative decision.

In The Netherlands there is a pension fund for the whole media industry, which includes a pension plan for the film and cinema industry. It concerns a 'defined contribution' plan in which all employees of the Dutch entities, older than twenty, participate. Employer's contributions related to the Dutch pension plans were € 0.3 million in 2015.

| IN '000 €                   | 2014       | 2015       |
|-----------------------------|------------|------------|
| Mathematical reserves       | 3 492      | 3 614      |
| Minimum guaranteed reserves | 3 247      | 3 336      |
| <b>SURPLUS</b>              | <b>245</b> | <b>278</b> |

#### TOTAL MATHEMATICAL RESERVES

| IN '000 €                                  | 2015         |
|--------------------------------------------|--------------|
| <b>At 1 January 2015</b>                   | <b>3 492</b> |
| Payments                                   | -233         |
| Premiums                                   | 270          |
| Return on assets                           | 65           |
| Acquisitions through business combinations | 20           |
| <b>At 31 December 2015</b>                 | <b>3 614</b> |

## 6. Additional information on operating expenses by nature

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

| IN '000 €                      | 2014           | 2015           |
|--------------------------------|----------------|----------------|
| Cost of sales                  | -30 942        | -32 748        |
| Marketing and selling expenses | -4 552         | -5 283         |
| Administrative expenses        | -7 138         | -7 772         |
| <b>TOTAL</b>                   | <b>-42 632</b> | <b>-45 803</b> |

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

| IN '000 €                      | 2014           | 2015           |
|--------------------------------|----------------|----------------|
| Cost of sales                  | -20 189        | -22 259        |
| Marketing and selling expenses | -515           | -613           |
| Administrative expenses        | -585           | -700           |
| Other operating expenses       | -33            |                |
| <b>TOTAL</b>                   | <b>-21 322</b> | <b>-23 572</b> |

## 7. Finance income and expenses

### FINANCE INCOME

| IN '000 €                                             | 2014         | 2015         |
|-------------------------------------------------------|--------------|--------------|
| Interest income                                       | 12           | 66           |
| Foreign exchange gains                                | 82           | 239          |
| Fair value change to the contingent considerations    | 1 359        |              |
| Unwinding of non-current government grants receivable | 734          | 647          |
| Other                                                 | 203          | 188          |
| <b>TOTAL</b>                                          | <b>2 390</b> | <b>1 140</b> |

For more information about the fair value change to the contingent considerations of 2014, see notes 10 and 24.

### FINANCE EXPENSES

| IN '000 €                              | 2014          | 2015          |
|----------------------------------------|---------------|---------------|
| Interest expenses                      | -4 534        | -7 056        |
| Foreign exchange losses                | -132          | -245          |
| Impairments of tax shelter investments | -433          |               |
| Other                                  | -1 586        | -1 593        |
| <b>TOTAL</b>                           | <b>-6 685</b> | <b>-8 894</b> |

The Group paid more interest in 2015 due to the prefinancing of planned expansion projects.

The total costs with regard to the refinancing of the Group in 2012 were € 1.1 million. These are recognized in the income statement using the effective interest method at € 0.1 million in 2015 (2014: € 0.2 million) and are included in the interest expenses. The costs with regard to the refinancing of the Group in 2015 were € 1.6 million (see note 20).

These were recognized in the income statement through the effective interest method at € 0.2 million in 2015 and were included in the interest expenses.

The other finance expenses mainly include banking costs. These also include commitment fees with regard to the credit agreement the Group refinanced in 2015 (see note 24) at € 0.2 million (2014: € 0.3 million).

## 8. Income tax expenses

| IN '000 €                    | 2014           | 2015           |
|------------------------------|----------------|----------------|
| Current tax expenses         | -13 436        | -17 375        |
| Belgian Excess profit ruling |                | -9 355         |
| Deferred tax expenses        | 2 233          | 1 494          |
| <b>TOTAL</b>                 | <b>-11 203</b> | <b>-25 236</b> |

On 11 January 2016, The European Commission published its decision that Belgian tax rulings granted to multinationals with regard to 'Excess Profit' should be considered as illegal state aid. The European commission's decision obliges the Belgian government to recover the tax reduction granted in the past from the related companies.

The Belgian tax authority has granted such tax ruling to Kinopolis Group in 2012. As a result of the European Commission's decision, Kinopolis has recorded a provision of € 9.4 million, in compliance with IAS 12, to cover a potential

mandatory repayment of the unpaid taxes with regard to the excess profits realized. The amount fully covers the potential liability for the years 2012-2015, including interest charges. Further course remains unclear. Neither the European Commission nor the Belgian government have issued any statement on the methodology that should be used to determine the amount of the unpaid taxes. Information on how to establish the amount to be reimbursed is likely to be announced in the near future. The actual payment will probably take place in 2016.

On 26 February 2016, the Belgian government has appealed against the European Commission's decision before the European Court of Justice.

Kinepolis will decide whether any legal action will be taken depending on the further evolution of the case.

#### Effective tax rate reconciliation

| IN '000 €                                                                                | 2014           | 2015           |
|------------------------------------------------------------------------------------------|----------------|----------------|
| Profit before tax                                                                        | 46 370         | 57 491         |
| <b>Belgian tax rate</b>                                                                  | <b>33.99%</b>  | <b>33.99%</b>  |
| Income tax using the Company's domestic tax rate                                         | -15 761        | -19 541        |
| Belgian Excess Profit Ruling (EPR) tax                                                   |                | -9 355         |
| Effect of tax rates in foreign jurisdictions                                             | 108            | 376            |
| Non-deductible expenses                                                                  | -780           | -562           |
| Tax-exempt income                                                                        | 4 062          | 4 076          |
| Use of unrecognized losses and tax losses for which no deferred tax asset was recognized | 1 393          | 169            |
| Under/(over) provided in prior periods                                                   | 306            | 90             |
| Other adjustments                                                                        | -531           | -489           |
| <b>TOTAL INCOME TAX EXPENSE</b>                                                          | <b>-11 203</b> | <b>-25 236</b> |
| <b>Effective tax rate</b>                                                                | <b>24.16%</b>  | <b>43.90%</b>  |

The effective tax rate including the one-off income tax expense relating to the EPR was 43.9% in 2015 (2014: 24.2%). Excluding the EPR tax, the effective tax rate was 27.6%. The higher income taxes were primarily due to the rise in taxable profit and the new accounting treatment of tax shelters, partly offset by the fall in the tax rate in Spain from 30% to 25% and relatively more profit from foreign operations, taxed at a more favourable level.

The notional interest deduction and the fiscal treatment of tax shelters, both included in 'Tax-exempt income', had a positive impact on the tax burden in both 2015 and 2014.

The 'Other adjustments' primarily relate to income tax with regard to current and future intra-group dividend payments and the fairness tax.

## 9. Intangible assets

| IN '000 €                                | PATENTS AND LICENSES | OTHER      | INTERNALLY GENERATED INTANGIBLE ASSETS | TOTAL        |
|------------------------------------------|----------------------|------------|----------------------------------------|--------------|
| Acquisition value                        | 6 775                | 1 110      | 1 701                                  | 9 586        |
| Amortization and impairment losses       | -4 824               | -613       | -1 133                                 | -6 570       |
| <b>NET CARRYING AMOUNT AT 31/12/2013</b> | <b>1 951</b>         | <b>497</b> | <b>568</b>                             | <b>3 016</b> |
| Acquisitions                             | 1 887                |            | 282                                    | 2 169        |
| Transfer from / to other categories      | 177                  |            | 2                                      | 179          |
| Amortization                             | -698                 | -134       | -534                                   | -1 366       |
| Acquisition value                        | 8 840                | 1 111      | 1 985                                  | 11 936       |
| Amortization and impairment losses       | -5 523               | -748       | -1 667                                 | -7 938       |
| <b>NET CARRYING AMOUNT AT 31/12/2014</b> | <b>3 317</b>         | <b>363</b> | <b>318</b>                             | <b>3 998</b> |
| Acquisitions                             | 1 327                | 18         | 631                                    | 1 976        |
| Sales and disposals                      | -16                  |            |                                        | -16          |
| Amortization                             | -682                 | -127       | -38                                    | -847         |
| Acquisition value                        | 10 527               | 1 129      | 2 616                                  | 14 272       |
| Amortization and impairment losses       | -6 581               | -875       | -1 705                                 | -9 161       |
| <b>NET CARRYING AMOUNT AT 31/12/2015</b> | <b>3 946</b>         | <b>254</b> | <b>911</b>                             | <b>5 111</b> |

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

The acquisitions in 2015 mainly concern the expenditures for the renewal of the front office software of the Group for € 1.6 million. These comprise internal hours worked for € 0.6 million and purchases from third parties for € 1.0 million.

## 10. Goodwill and business combinations

### GOODWILL

| IN '000 €                                  | 2014          | 2015          |
|--------------------------------------------|---------------|---------------|
| <b>BALANCE AT END OF PREVIOUS PERIOD</b>   | <b>18 761</b> | <b>36 116</b> |
| Acquisitions through business combinations | 17 355        | 17 340        |
| Adjustments to goodwill                    |               | -200          |
| <b>BALANCE AT END OF CURRENT PERIOD</b>    | <b>36 116</b> | <b>53 256</b> |

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

At the end of 2015, as every year in this period, a review was performed to identify any indications of impairment of non-financial assets. During this review the Group considered, among other things, the economic situation, the evolution of visitor figures, EBITDA and the components that make up the weighted average cost of capital determined by the Group, especially the risk-free interest rate, the market risk premium and the cost of debt.

An annual impairment test must be performed for cash generating units to which goodwill is allocated, regardless of whether there are any indications of impairment.

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

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

The cash flows of the Group are generated per country:

- ★ Programming of films and negotiations with distributors occur at country level;
- ★ A large percentage of tickets are sold through the websites, which are organized at country level;
- ★ The pricing of tickets, refreshments and snacks is set at country level;
- ★ Marketing contributions by distributors are negotiated on a country by country basis;

- ★ Screen advertising is managed on a country basis;
- ★ Vouchers are sold through the business-to-business sales teams. Customers use their vouchers through the central back office systems at country level;
- ★ The business-to-business events are organized at complex and at country level.

In the impairment tests the value in use was taken into consideration. For all cash generating units the value in use was defined by discounting the future cash flows calculated over the period 2017 to 2035, based on the budget for 2016. The future cash flows are calculated over a period of 20 years, since the Group owns nearly all of its property, which guarantees exploitation in the long run. For the period 2017 to 2035 the data of the 2016 budget for all cash flow generating units were extrapolated on the basis of the following assumptions:

- ★ The visitor figures were determined based on historically low numbers;
- ★ EBITDA grows by 1% annually, presuming that the Group is able to take further measures to increase the margin;
- ★ The maintenance capital expenditures are based on the historical run rate and increase by 1% every year as from 2017.

The projections are performed in the functional currency of the relevant country and discounted at the weighted average cost of the country's capital. The proposed weighted average cost of capital is 4.58% for Belgium and France, 4.62% for The Netherlands, 6.18% for Spain and 5.77% for Poland and 4.27% for Switzerland (2014: 4.93% for Belgium, France and The Netherlands, 4.83% for Switzerland, 6.05% for Spain and 5.67% for Poland), determined on the basis of the following theoretical parameters:

|             | 2014                    |                     |      |                                      | 2015                    |                     |      |                                      |
|-------------|-------------------------|---------------------|------|--------------------------------------|-------------------------|---------------------|------|--------------------------------------|
|             | RISK-FREE INTEREST RATE | MARKET RISK PREMIUM | BETA | PROPOSED COST OF DEBT <sup>(1)</sup> | RISK-FREE INTEREST RATE | MARKET RISK PREMIUM | BETA | PROPOSED COST OF DEBT <sup>(1)</sup> |
| Belgium     | 3.30%                   | 5.03%               | 1.00 | 4.75%                                | 2.17%                   | 5.17%               | 1.00 | 4.75%                                |
| France      | 3.30%                   | 5.03%               | 1.00 | 4.75%                                | 2.17%                   | 5.17%               | 1.00 | 4.75%                                |
| Spain       | 5.00%                   | 5.03%               | 1.16 | 5.71%                                | 5.00%                   | 5.17%               | 1.16 | 5.71%                                |
| Netherlands | 3.30%                   | 5.03%               | 1.00 | 4.75%                                | 2.17%                   | 5.17%               | 1.00 | 4.61%                                |
| Switzerland | 3.30%                   | 5.03%               | 1.00 | 4.06%                                | 2.17%                   | 5.17%               | 1.00 | 3.60%                                |
| Poland      | 3.30%                   | 5.03%               | 1.00 | 6.18%                                | 2.17%                   | 5.17%               | 1.00 | 6.64%                                |

(1) Before tax

These percentages are tested annually against the weighted average cost of capital based on the parameters used by the analysts that monitor the share of the Group, taking into account the specific circumstances in each country. There was a significant margin each time. The weighted average cost of capital before tax is 5.53% for Belgium and France, 5.43% for The Netherlands, 7.30% for Spain, 4.72% for Switzerland and 6.78% for Poland (2014: 5.83% for Belgium, France and The Netherlands, 5.34% for Switzerland, 7.25% for Spain and 6.61% for Poland). These percentages before tax do not differ strongly from the iterative calculation.

Management believes that the assumptions used in the impairment tests provide the best estimates of the future developments and believes that no reasonably possible change in any of the principle assumptions would lead to a carrying amount of the cash generating units that would materially exceed their recoverable amount. Sensitivity analyses were performed with regard to the various parameters. An example is given below.

A further possible increase from 4.75% to 7% in the cost of debt before tax results in a 1.12% increase in the weighted average cost of capital. This possible change would not lead to the need to recognize an impairment.

#### Goodwill per cash generating unit

| IN '000 €                               | 2014          | 2015          |
|-----------------------------------------|---------------|---------------|
| Belgium                                 | 6 586         | 6 586         |
| France                                  | 3 299         | 11 804        |
| Spain                                   | 2 858         | 2 858         |
| Netherlands                             | 16 871        | 19 661        |
| Luxembourg                              |               | 5 845         |
| Poland                                  | 6 502         | 6 502         |
| <b>BALANCE AT END OF CURRENT PERIOD</b> | <b>36 116</b> | <b>53 256</b> |

## BUSINESS COMBINATIONS

### Acquisition of the French Mégaroyal complex

The Group acquired the French Mégaroyal complex early July 2015. Mégaroyal is a complex with 12 screens and around 2 100 seats located in Bourgoin-Jallieu, 35km east of Lyon. Mégaroyal currently welcomes some 600 000 visitors per year. This acquisition will further strengthen the Group's position on the French market.

The consideration paid was € 12.5 million. The inclusion of Mégaroyal in the consolidation scope of the Group on 8 July 2015, the date on which effective control was acquired, resulted in goodwill of € 7.9 million. The origin of this goodwill is the targeted visitor potential of the cinemas, synergies and the expansion of market share in France.

The transaction expenses linked to this acquisition were € 0.1 million and were recognized in profit and loss as part of the administrative expenses.

Since the inclusion of the cinema in the consolidation scope, it has contributed € 2.3 million to revenue and € 0.0 million to the result of the Group.

### Acquisition of Utopolis

On 10 July 2015 Kinopolis Group NV announced it had reached an agreement in principle on the acquisition of the Utopolis group (Utopia SA) subject to the fulfillment of conditions. The acquisition of Utopolis (Utopia SA), excluding the Belgian complexes, was completed on 9 November 2015. The acquisition comprises nine complexes in three countries: The Grand Duchy of Luxembourg (3), The Netherlands (5) and France (1). The acquisition of the four Belgian complexes is subject to the approval of the Belgian Competition Authority. On 30 November 2015 the Belgian Competition Authority decided to adopt the additional investigation procedure as referred to in Article IV.62 of the applicable Law to assess the acquisition of the Belgian Utopolis complexes by Kinopolis Group NV. A final decision is expected in 2016. For more information about this approval, see notes 27 and 29.

Utopolis SA has three complexes in The Grand Duchy of Luxembourg (two in Luxembourg City and one in Esch-sur-Alzette), five in The Netherlands (Oss, Almere, Zoetermeer, Den Helder and Emmen) and one in France (Longwy), plus four in Belgium (Mechelen, Turnhout, Aarschot and Lommel)

that are not part of the transaction at this time. Utopia SA primarily operates cinema complexes and owns the properties housing several of its multiplexes. A number of complexes are leased from third parties.

The consideration paid was € 32.2 million. The inclusion of Utopolis group in the consolidation scope of the Group on 9 November 2015, the date on which effective control was acquired, resulted in goodwill of € 9.4 million. The origin of this goodwill is the targeted visitor potential of the existing cinemas.

In 2014 Utopia SA welcomed 2.3 million visitors in The Grand Duchy of Luxembourg, The Netherlands and France, generating sales of € 28.3 million and EBITDA of € 4.9 million.

The transaction costs linked to this acquisition were € 0.8 million and were recognized in profit and loss as part of the administrative expenses.

Since the inclusion of the complexes in the consolidation scope, they have contributed € 6.5 million to revenue and € 0.9 million to the result of the Group.

The acquisition complies with the expansion strategy of the Group, which strengthens its position in France and The Netherlands and adds a new market to its portfolio in Luxembourg.

### Net identifiable assets and liabilities

| IN '000 €                           | MÉGAROYAL    | UTOPOLIS      |
|-------------------------------------|--------------|---------------|
| Property, plant and equipment       | 7 166        | 36 747        |
| Non-current other receivables       | 2 551        | 907           |
| Inventories                         | 25           | 190           |
| Current trade and other receivables | 380          | 2 610         |
| Cash and cash equivalents           | 211          | 6 328         |
| Non-current loans and borrowings    | -3 085       | -1 453        |
| Deferred tax liabilities            | -1 018       | -5 114        |
| Provisions                          |              | -4 868        |
| Current loans and borrowings        |              | -7 055        |
| Current trade and other payables    | -1 546       | -3 467        |
| Current tax liabilities             | -117         | -2 040        |
| <b>TOTAL</b>                        | <b>4 567</b> | <b>22 785</b> |

Mégaroyal's property, plant and equipment primarily relate to the Bourgoin cinema complex.

€ 20.6 million of the property, plant and equipment of Utopolis relate to the cinema complexes in Kirchberg (Luxembourg), Longwy (France), Zoetermeer, Emmen and Oss (The Netherlands). The nominal value of the trade receivables of the Utopolis group on the acquisition date was € 1.1 million. € 0.0 million of this was deemed uncollectable. A € 4.7 million provision was recognized with regard to the unfavorable lease on the Almere (The Netherlands) cinema complex.

The current financial liability was immediately paid after the transaction date and replaced by an internal loan.

The total of the acquired cash of Mégaroyal is € 0.8 million, comprising cash and cash equivalents (€ 0.2 million), a term deposit (€ 1.9 million) and an outstanding loan that was repaid immediately after the acquisition (€ 1.3 million).

#### Goodwill calculation and reconciliation with the consolidated statement of cash flows

| IN '000 €                                                                                          | MÉGAROYAL     | UTOPOLIS      |
|----------------------------------------------------------------------------------------------------|---------------|---------------|
| <b>NET IDENTIFIABLE ASSETS AND LIABILITIES</b>                                                     | <b>4 567</b>  | <b>22 785</b> |
| Cash (1)                                                                                           | 12 500        | 32 192        |
| Contingent considerations                                                                          |               |               |
| <b>REMUNERATION</b>                                                                                | <b>12 500</b> | <b>32 192</b> |
| <b>GOODWILL</b>                                                                                    | <b>7 933</b>  | <b>9 407</b>  |
| Acquired cash (2)                                                                                  | 844           | 6 328         |
| <b>ACQUISITION OF SUBSIDIARIES, NET OF ACQUIRED CASH, IN THE STATEMENT OF CASH FLOWS (1) - (2)</b> | <b>11 656</b> | <b>25 864</b> |

This goodwill is not tax-deductible.

#### Acquisitions 2014

The following acquisitions occurred in 2014:

- ★ Acquisition of the Spanish Abaco Cinebox and Abaco Alcobendas complexes;
- ★ Acquisition of the Dutch Wolff Bioscopen group.

The Spanish complexes Abaco Cinebox (Alicante) and Abaco Alcobendas (Madrid) were included in the consolidation scope of the Group in April 2014 and June 2014 Goodwill was € 0.5 million.

The Wolff Bioscopen group was acquired on 22 July 2014. A fixed consideration of € 10.6 million was paid. At 31 December 2014 the fair value of the contingent considerations was € 4.2 million. The inclusion of the Wolff Bioscopen group in the consolidation scope of the Group on 22 July 2014, the date on which control was acquired, resulted in goodwill of € 16.9 million. The origin of this goodwill is the targeted visitor potential of the existing cinema and the new-build projects in Dordrecht and Utrecht (The Netherlands).

On 1 July 2015 the municipality of Utrecht issued the permit for building and operating a new complex in Utrecht Jaarbeurs. The permit was ratified by the Council of State in The Netherlands.

At 31 December 2015 the fair value of the contingent considerations was € 1.3 million. At 7 July 2015, € 2.7 million was paid to the former shareholders of the Wolff Bioscopen group. The change in fair value of the contingent consideration was € 0.2 million and was deducted from goodwill. The fair value of the contingent considerations was determined on the basis of the following assumptions:

- ★ The number of visitors of the new future cinema in Utrecht (The Netherlands) in the third year after opening;
- ★ The two existing complexes in Utrecht and the complexes in Nieuwegein (The Netherlands) and Rotterdam (The Netherlands) will continue to be leased during the agreed term.

For more information about the fair value of the contingent considerations, see note 24.

## 11. Property, plant and equipment

| IN '000 €                                  | LAND<br>AND<br>BUILDINGS | PLANT,<br>MACHINERY &<br>EQUIPMENT | ASSETS<br>UNDER<br>CONSTRUCTION | TOTAL          |
|--------------------------------------------|--------------------------|------------------------------------|---------------------------------|----------------|
| Acquisition value                          | 330 945                  | 179 792                            | 1 192                           | 511 929        |
| Depreciation and impairment losses         | -162 633                 | -142 423                           | -2                              | -305 058       |
| <b>NET CARRYING AMOUNT AT 31/12/2013</b>   | <b>168 312</b>           | <b>37 369</b>                      | <b>1 190</b>                    | <b>206 871</b> |
| Acquisitions                               | 4 467                    | 10 820                             | 716                             | 16 003         |
| Sales and disposals                        | -9                       | -267                               | -3                              | -279           |
| Acquisitions through business combinations | 9 656                    | 2 001                              | 576                             | 12 233         |
| Transfer from / to other categories        | 605                      | 202                                | -987                            | -180           |
| Depreciation                               | -9 545                   | -9 870                             | -33                             | -19 448        |
| Effect of exchange rate fluctuations       | 129                      | 6                                  |                                 | 135            |
| Acquisition value                          | 351 416                  | 198 290                            | 1 459                           | 551 165        |
| Depreciation and impairment losses         | -177 801                 | -158 029                           |                                 | -335 830       |
| <b>NET CARRYING AMOUNT AT 31/12/2014</b>   | <b>173 615</b>           | <b>40 261</b>                      | <b>1 459</b>                    | <b>215 335</b> |
| Acquisitions                               | 32 180                   | 7 998                              | 11 539                          | 51 717         |
| Sales and disposals                        | 7                        | -398                               | -60                             | -451           |
| Acquisitions through business combinations | 40 803                   | 3 110                              |                                 | 43 913         |
| Transfer from / to other categories        | 24                       | 106                                | -130                            |                |
| Depreciation                               | -11 080                  | -10 955                            |                                 | -22 035        |
| Effect of exchange rate fluctuations       | 686                      | 36                                 |                                 | 722            |
| Acquisition value                          | 455 648                  | 223 611                            | 12 808                          | 692 067        |
| Depreciation and impairment losses         | -219 413                 | -183 453                           |                                 | -402 866       |
| <b>NET CARRYING AMOUNT AT 31/12/2015</b>   | <b>236 235</b>           | <b>40 158</b>                      | <b>12 808</b>                   | <b>289 201</b> |

### Acquisitions

The 2015 purchases relate, amongst others, to the cinema building in Enschede (The Netherlands), the ongoing investments with regard to the building of new complexes in Dordrecht, Breda and Utrecht (The Netherlands), the installation of Cosy Seating in five complexes and the renovation of Kinopolis Alcobendas (Spain) and Alicante (Spain).

### Sales and disposals

The sales and disposals of Plant, Machinery and Equipment mainly concern the disposal of old projectors and servers.

### Leased buildings

The lease of the complex in Groningen (The Netherlands) was recognized as a financial lease. At 31 December 2015 the net carrying amount was € 8.6 million (2014: € 9.1 million).

### Leased plant, machinery and equipment

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

In 2015 no new digital projectors were leased under this sale and lease-back agreement (2014: € 0.0 million). The carrying amount of these leased machines and equipment was € 4.2 million at 31 December 2015 (2014: € 6.4 million). During the term of the lease, the leased assets can be bought back at their present value under the contract, plus a fine. At the end of the contract the assets can be acquired at 1% of their original value according to the stipulations of the contract.

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

If the contract is prematurely ended by the Group, the leased asset must be repurchased at their carrying amount increased with the outstanding capital payments as well as a fine. At 31 December 2015 the net carrying amount of the projectors was € 0.3 million (2014: € 0.4 million).

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

the Group will become the owner of the projection system without any further settlement. In the event of premature ending of the contract by the Group, the Group must pay the unrecovered investment costs. At 31 December 2015 the net carrying amount of these assets was € 0.3 million (2014: € 0.3 million).

For more information about the related finance lease liabilities, see note 20.

#### Acquisitions through business combinations

The acquisitions in 2015 led to an increase in property, plant and equipment of € 43.9 million (Mégaroyal: € 7.2 million; Utopolis: € 36.7 million).

For more information about business combinations, see note 10.

## 12. Investment property

| IN '000 €                                        | LAND AND BUILDINGS | PLANT, MACHINERY & EQUIPMENT | TOTAL         |
|--------------------------------------------------|--------------------|------------------------------|---------------|
| Acquisition value                                | 16 706             | 513                          | 17 219        |
| Depreciation and impairment losses               | -4 734             | -429                         | -5 163        |
| <b>NET CARRYING AMOUNT AT 31/12/2013</b>         | <b>11 972</b>      | <b>84</b>                    | <b>12 056</b> |
| Acquisitions                                     | 14 638             |                              | 14 638        |
| Depreciation                                     | -492               | -16                          | -508          |
| Transfer from assets classified as held for sale | 6 721              |                              | 6 721         |
| Effect of exchange rate fluctuations             | -277               | -2                           | -279          |
| Acquisition value                                | 37 655             | 498                          | 38 153        |
| Depreciation and impairment losses               | -5 093             | -432                         | -5 525        |
| <b>NET CARRYING AMOUNT AT 31/12/2014</b>         | <b>32 562</b>      | <b>66</b>                    | <b>32 628</b> |
| Acquisitions                                     | 19                 |                              | 19            |
| Depreciation                                     | -673               | -15                          | -688          |
| Effect of exchange rate fluctuations             | 6                  |                              | 6             |
| Acquisition value                                | 37 676             | 498                          | 38 174        |
| Depreciation and impairment losses               | -5 762             | -447                         | -6 209        |
| <b>NET CARRYING AMOUNT AT 31/12/2015</b>         | <b>31 914</b>      | <b>51</b>                    | <b>31 965</b> |

Since 18 January 2007 the land, buildings, machines and equipment in Poznań (Poland) are no longer used for Kinopolis' own operations, but leased to Cinema City, owned by the cinema group Cineworld, and to a number of smaller third parties. As required by IAS 40 (Investment property), the assets in question have been classified as investment property to this heading. In 2012 the Group received a new bank guarantee on first demand for € 0.2 million from Cinema City.

The total carrying amount of the investment property in Poland is € 11.2 million.

The main purchases in 2014 were the acquisition of the building that houses ten cinema screens of UGC Toison d'Or in Brussels (Belgium). The Group took the place of the previous owner, Immobilière de la Toison d'Or, as lessor and did not gain control of the operations of the cinema. UGC will continue to operate Toison d'Or completely independently.

The purchase option on land in Valencia (Spain) granted to a third party until the end of 2014 was not exercised. Therefore, this land was again recognized in the consolidated statement of financial position under investment property for € 6.7 million and no longer as assets held for sale.

Rental income from investment property was € 1.9 million (2014: € 1.5 million). The increase in rental income is due to the acquisition and lease of the Toison d'Or cinema building in Brussels (Belgium) in 2014. The direct operating charges (including repairs and maintenance) ensuing from investment property were € 0.6 million (2014: € 0.6 million).

## 13. Deferred tax

The increase in the deferred tax assets primarily relate to deferred tax on the unfavorable lease provision for the Almere (The Netherlands) lease (see note 10). The increase in the deferred tax liabilities primarily relate to an increase in the deferred tax on the intangible assets and property, plant and equipment.

### **Temporary differences for which no deferred tax assets are recognized**

No deferred tax asset is recognized in the statement of financial position in respect of tax losses carried forward and unused tax credits that would result in a deferred tax asset of € 7.5 million (2014: € 5.5 million), because it is improbable that sufficient taxable profits will be available in the foresee-

### **Fair value**

The fair value of the investment property is measured periodically by independent experts. The external experts possess the requisite recognized professional qualifications and experience in appraising real estate at the locations and in the categories concerned.

The fair value of the investment property was € 41.9 million (2014: € 41.9 million).

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

able future to be able to benefit from the tax gain. The rise relates to the expansion. The tax losses carried forward can be carried forward to an unlimited degree for Belgium, France and Luxembourg. In Switzerland the losses can be carried forward for 7 years.

### **Temporary differences for which deferred tax liabilities are recognized**

In 2015 a deferred tax liability of € 1.9 million was recognized in connection with all distributable reserves in the subsidiaries of the Group (2014: € 1.1 million). This deferred tax liability was allocated to the investments in subsidiaries in the table below.

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

| IN '000 €                                                 | 2014         |                |                | 2015         |                |                |
|-----------------------------------------------------------|--------------|----------------|----------------|--------------|----------------|----------------|
|                                                           | ASSETS       | LIABILITIES    | DIFFERENCE     | ASSETS       | LIABILITIES    | DIFFERENCE     |
| Property, plant and equipment and other intangible assets | 851          | -18 824        | -17 973        | 728          | -23 940        | -23 213        |
| Receivable CNC government grants                          | 1 249        |                | 1 249          | 1 082        |                | 1 082          |
| Inventories                                               | 8            | -3             | 5              | 4            |                | 4              |
| Trade and other receivables                               | 79           | -9             | 70             | 57           | -187           | -130           |
| Provisions                                                |              | -161           | -161           | 1 176        | -209           | 967            |
| Deferred CNC government grants                            | 596          | -376           | 220            | 842          | -557           | 285            |
| Derivative financial instruments through equity           |              | -9             | -9             |              | -22            | -22            |
| Tax losses carried forward and other deferred tax assets  | 3 063        |                | 3 063          | 3 617        |                | 3 617          |
| Trade and other payables                                  | 88           |                | 88             | 95           |                | 95             |
| Investments in subsidiaries                               |              | -1 099         | -1 099         |              | -1 881         | -1 881         |
| <b>TOTAL</b>                                              | <b>5 934</b> | <b>-20 481</b> | <b>-14 547</b> | <b>7 600</b> | <b>-26 797</b> | <b>-19 197</b> |
| Tax offsetting                                            | -4 626       | 4 626          |                | -6 929       | 6 929          |                |
| <b>NET DEFERRED TAX ASSETS AND LIABILITIES</b>            | <b>1 308</b> | <b>-15 855</b> | <b>-14 547</b> | <b>670</b>   | <b>-19 868</b> | <b>-19 197</b> |

#### Changes in deferred tax balances during the year

| IN '000 €                                                 | 2013           | RECOGNIZED IN PROFIT AND LOSS | RECOGNIZED IN OTHER COMPREHENSIVE INCOME | 2014           | RECOGNIZED IN PROFIT AND LOSS | RECOGNIZED IN OTHER COMPREHENSIVE INCOME | ACQUISITIONS THROUGH BUSINESS COMBINATIONS | 2015           |
|-----------------------------------------------------------|----------------|-------------------------------|------------------------------------------|----------------|-------------------------------|------------------------------------------|--------------------------------------------|----------------|
| Property, plant and equipment and other intangible assets | -18 145        | 172                           |                                          | -17 973        | 2 826                         |                                          | -8 066                                     | -23 213        |
| Receivable CNC government grants                          | 1 494          | -245                          |                                          | 1 249          | -214                          |                                          | 47                                         | 1 082          |
| Inventories                                               | 3              | 2                             |                                          | 5              | -1                            |                                          |                                            | 4              |
| Trade and other receivables                               | 53             | 17                            |                                          | 70             | -200                          |                                          |                                            | -130           |
| Provisions                                                | -158           | -3                            |                                          | -161           | -29                           |                                          | 1 157                                      | 967            |
| Deferred CNC government grants                            | -88            | 308                           |                                          | 220            | 301                           |                                          | -236                                       | 285            |
| Derivative financial instruments through equity           | 20             |                               | -29                                      | -9             |                               | -13                                      |                                            | -22            |
| Tax losses carried forward and other deferred tax assets  | 1 748          | 1 315                         |                                          | 3 063          | -412                          |                                          | 966                                        | 3 617          |
| Trade and other payables                                  | 67             | 21                            |                                          | 88             | 7                             |                                          |                                            | 95             |
| Investments in subsidiaries                               | -1 390         | 291                           |                                          | -1 099         | -782                          |                                          |                                            | -1 881         |
| <b>TOTAL</b>                                              | <b>-16 396</b> | <b>1 878</b>                  | <b>-29</b>                               | <b>-14 547</b> | <b>1 494</b>                  | <b>-13</b>                               | <b>-6 132</b>                              | <b>-19 197</b> |

## 14. Inventories

| IN '000 €                                   | 2014         | 2015         |
|---------------------------------------------|--------------|--------------|
| 3D glasses                                  | 860          | 705          |
| Goods purchased for resale in the complexes | 1 520        | 1 779        |
| Components inventory technical department   | 1 206        | 2 170        |
| Other                                       | 50           | 40           |
| <b>TOTAL</b>                                | <b>3 636</b> | <b>4 694</b> |

The cost of sales of inventories recognized in the income statement was € 17.6 million (2014: € 14.9 million).

## 15. Trade receivables and other assets

### Non-current other receivables

| IN '000 €         | 2014          | 2015          |
|-------------------|---------------|---------------|
| Cash guarantees   | 958           | 1 051         |
| Other receivables | 11 698        | 10 794        |
| <b>TOTAL</b>      | <b>12 656</b> | <b>11 845</b> |

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

obtained in France from the CNC based on the number of visitors.

### Current trade receivables and other assets

| IN '000 €                                 | 2014          | 2015          |
|-------------------------------------------|---------------|---------------|
| Trade receivables                         | 19 620        | 26 497        |
| Taxes receivable, other than income taxes | 1 335         | 1 421         |
| Deferred charges and accrued income       | 81            | 80            |
| Tax shelter receivables                   | 576           | 168           |
| Tax shelter investments                   | 391           | 318           |
| Other receivables                         | 2 290         | 4 508         |
| <b>TOTAL</b>                              | <b>24 293</b> | <b>32 992</b> |

The rise in the trade receivables primarily relate to expansion in combination with a strong rise in sales of the business-to-business activities in the fourth quarter.

The other current receivables primarily consist of the current portion of the French sector-related government grants (CNC) for € 2.7 million (2014: € 1.7 million) and a current account with Utopolis Belgium of € 1.3 million.

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

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

| IN '000 €                            | 2014                  |               |                     | 2015                  |               |                     |
|--------------------------------------|-----------------------|---------------|---------------------|-----------------------|---------------|---------------------|
|                                      | GROSS CARRYING AMOUNT | IMPAIRMENT    | NET CARRYING AMOUNT | GROSS CARRYING AMOUNT | IMPAIRMENT    | NET CARRYING AMOUNT |
| Not yet due on reporting date        | 32 538                | -2            | 32 536              | 39 120                | -13           | 39 107              |
| Less than 30 days past due           | 3 236                 | -61           | 3 175               | 3 837                 | -13           | 3 824               |
| Between 31 and 120 days past due     | 920                   | -39           | 881                 | 1 523                 | 60            | 1 583               |
| Between 120 days and 1 year past due | 1 180                 | -930          | 250                 | 718                   | -626          | 92                  |
| Over 1 year past due                 | 847                   | -740          | 107                 | 1 142                 | -910          | 232                 |
| <b>TOTAL</b>                         | <b>38 721</b>         | <b>-1 772</b> | <b>36 949</b>       | <b>46 340</b>         | <b>-1 502</b> | <b>44 838</b>       |

### Movement in the allowance for impairment of trade receivables

| IN '000 €                                | 2014          | 2015          |
|------------------------------------------|---------------|---------------|
| <b>BALANCE AT END OF PREVIOUS PERIOD</b> | <b>-1 833</b> | <b>-1 772</b> |
| Recognized impairments                   | -673          | -449          |
| Utilized impairments                     | 279           | 10            |
| Reversed impairments                     | 451           | 709           |
| Effect of exchange rate fluctuations     | 4             |               |
| <b>BALANCE AT END OF CURRENT PERIOD</b>  | <b>-1 772</b> | <b>-1 502</b> |

The recognized, utilized and reversed impairments are part of the cost of sales for € 0.3 million (2014: € -0.0 million) and the marketing and selling expenses for € -0.0 million (2014: € 0.1 million).

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

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

## 16. Cash and cash equivalents

| IN '000 €                                                                              | 2014          | 2015          |
|----------------------------------------------------------------------------------------|---------------|---------------|
| Current investments (less than three months)                                           |               | 45 000        |
| Cash at bank and in hand                                                               | 17 000        | 15 432        |
| <b>TOTAL</b>                                                                           | <b>17 000</b> | <b>60 432</b> |
| Bank overdrafts considered as cash and cash equivalents in the statement of cash flows | -470          | -44           |
| <b>CASH AND CASH EQUIVALENTS</b>                                                       | <b>16 530</b> | <b>60 388</b> |

## 17. Equity

The various components of equity as well as the changes between 31 December 2015 and 31 December 2014 are set out in the consolidated statement of changes in equity.

### Share capital

The Company's share capital at 31 December 2015 was € 19.0 million (2014: € 19.0 million), represented by 27 365 197 ordinary shares without nominal value (2014: 27 365 197 shares). All shares are paid up in full. The share premium at 31 December 2015 was € 1.2 million (2014: € 1.2 million). The ordinary shares are entitled to dividend and the holders of these shares are entitled to cast one vote at the Company's shareholder meetings. The company is compliant with the regulations relating to the dematerialization of bearer shares. The statutory auditor confirmed compliance with article 11 of the law of 14 December 2005.

### Treasury shares reserve

On 19 October 2012 the Extraordinary General Meeting approved another authorization to purchase up to 1 171 301 shares for cancellation. Bearing mind the splitting of each share into five new shares on 1 July 2014, up to 5 856 505 treasury shares can be bought back under this authorization. This authorization is valid for a term of five years and can be renewed. In 2015, the company acquired 29 339 of its own shares for € 1.0 million (2014: 604 710 – € 18.8 million) and 1 314 370 treasury shares were sold pursuant to the exercise of options for € 7.1 million (2014: 30 000 – € 0.2 million). Otherwise, no shares were cancelled in 2015 (2014: 548 073 – € 16.9 million).

At 31 December 2015 the Group held 244 221 own shares (2014: 1 529 252), of which 93 054 for cancellation.

### Hedging reserve

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

### Translation differences

The translation differences include all exchange rate differences resulting from the translation of the financial statements of foreign entities.

### Share-based payments reserve

At 31 December 2015 a total of 111 875 options were allocated (2014: 1 426 245 options). These options entitle their holders to one share per option (see note 19). The options will expire ten years after the date of approval of the plan by the Board of Directors, on 5 November 2017.

### Dividends

On 15 February 2016 a dividend of € 21.5 million was proposed with respect to 2015 (2014: € 23.1 million). Based on the number of shares entitled to dividend at the date of publication of this annual report, this means a gross dividend per share of € 0.79 (2014: € 0.65 and an exceptional dividend of € 0.20 per share). This dividend has not yet been approved by the Company's General Meeting of Shareholders and is therefore not yet recognized in the consolidated financial statements.

## 18. Earnings per share

| AMOUNTS IN '000 UNLESS STATED OTHERWISE                     | 2014          | 2015          |
|-------------------------------------------------------------|---------------|---------------|
| <b>PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b> | <b>35 167</b> | <b>32 255</b> |
| Weighted average number of ordinary shares                  | 26 288        | 26 783        |
| Effect of options                                           | 1 054         | 356           |
| Weighted average number of diluted shares                   | 27 342        | 27 139        |
| <b>BASIC EARNINGS PER SHARE (IN €)</b>                      | <b>1.34</b>   | <b>1.20</b>   |
| <b>DILUTED EARNINGS PER SHARE (IN €)</b>                    | <b>1.29</b>   | <b>1.19</b>   |

### BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit of € 32.3 million attributable to the ordinary shareholders (2014: € 35.2 million) and a weighted average number of ordinary shares outstanding during the year of 26 782 831 (2014: 26 288 260).

### DILUTED EARNINGS PER SHARE

The calculation of the diluted earnings per share is based on the profit of € 32.3 million attributable to the ordinary shareholders (2014: € 35.2 million) and a weighted average number of diluted ordinary shares outstanding during the year of 27 138 627 (2014: 27 341 842).

## 19. Share-based payments

### SHARE OPTION PLAN

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

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

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

311 885 shares, or 1 559 425 shares after impact of the share split in 2014.

At 31 December 2015 the total number of allocated options of the Share Option Plan was 111 875 (2014: 1 426 245). No options were forfeited in 2015 (2014: 15 000). 1 314 370 options were exercised (2014: 30 000). The weighted average share price at the time of exercise was € 35.60 (2014: € 29.93). No additional options were granted in 2015 (2014: 125 000).

The fair value of these share-based payments was estimated when the options were allocated, using a Trinomial (American-type call option) valuation model.

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

| AMOUNTS IN € UNLESS STATED OTHERWISE           | 03/2008 | 08/2009 | 08/2010 | 03/2011 | 10/2011 | 10/2014 |
|------------------------------------------------|---------|---------|---------|---------|---------|---------|
| Fair value of allocated options <sup>(1)</sup> | 2.00    | 1.73    | 2.50    | 2.54    | 2.67    | 4.25    |
| Share price at grant date <sup>(1)</sup>       | 5.70    | 5.20    | 8.70    | 10.43   | 11.76   | 27.96   |
| Exercise price <sup>(1)</sup>                  | 4.57    | 3.58    | 7.28    | 9.44    | 11.04   | 25.19   |
| Expected volatility                            | 31%     | 41%     | 39%     | 41%     | 29%     | 19%     |
| Original expected term (in years)              | 8       | 6       | 5       | 4       | 5       | 3       |
| Expected dividend growth                       | 10%     | 10%     | 10%     | 10%     | 10%     | 2.65%   |
| Risk-free interest rate                        | 4.70%   | 3.30%   | 2.55%   | 3.16%   | 2.15%   | 0.72%   |

<sup>(1)</sup> With due consideration for the consequences of the 2014 share split

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

The options granted in 2010 can be permanently acquired in tranches of 20% per year during the first five years after granting. The options granted in March 2011 can be permanently acquired in tranches of 25% per year during the first four years after granting. The options granted in October 2011 are vested in tranches of 20% per year during the five years after their grant date. Of the options granted in 2014, 40% were permanently acquired in 2014 and 60% were permanently acquired in 2015.

| AMOUNTS IN €<br>UNLESS STATED OTHERWISE              | 2014                 |                                          | 2015                 |                                          |
|------------------------------------------------------|----------------------|------------------------------------------|----------------------|------------------------------------------|
|                                                      | NUMBER OF<br>OPTIONS | WEIGHTED<br>AVERAGE<br>EXERCISE<br>PRICE | NUMBER OF<br>OPTIONS | WEIGHTED<br>AVERAGE<br>EXERCISE<br>PRICE |
| <b>OUTSTANDING OPTIONS AT END OF PREVIOUS PERIOD</b> | <b>1 346 245</b>     | <b>5.70</b>                              | <b>1 426 245</b>     | <b>7.37</b>                              |
| Options granted during the year                      | 125 000              | 25.39                                    |                      |                                          |
| Options exercised during the year                    | -30 000              | 7.48                                     | -1 314 370           | 6.81                                     |
| Options forfeited during the year                    | -15 000              | 7.48                                     |                      |                                          |
| <b>OUTSTANDING OPTIONS AT END OF CURRENT PERIOD</b>  | <b>1 426 245</b>     | <b>7.37</b>                              | <b>111 875</b>       | <b>13.53</b>                             |
| Exercisable options at end of current period         | 870 720              | 5.97                                     | 91 875               | 14.07                                    |

## 20. Loans and borrowings

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

borrowings and the Group's exposure to interest and foreign currency risks, see note 24.

### NON-CURRENT LOANS AND BORROWINGS

| IN '000 €                                                  | 2014          | 2015           |
|------------------------------------------------------------|---------------|----------------|
| Private placement of bonds                                 |               | 96 000         |
| Public bond                                                | 75 000        | 75 000         |
| Unguaranteed loans and borrowings with credit institutions | 5 000         | 35 651         |
| Lease and similar liabilities                              | 12 009        | 9 228          |
| Transaction costs refinancing                              | -538          | -1 879         |
| <b>TOTAL</b>                                               | <b>91 471</b> | <b>214 000</b> |

### CURRENT LOANS AND BORROWINGS

| IN '000 €                     | 2014          | 2015         |
|-------------------------------|---------------|--------------|
| Lease and similar liabilities | 3 095         | 2 765        |
| Other loans and borrowings    | 41 000        | 5 949        |
| <b>TOTAL</b>                  | <b>44 095</b> | <b>8 714</b> |

In January 2015 the Group concluded a private placement of bonds with institutional investors for € 96 million: € 61.4 million was placed with a term of 7 years and € 34.6 million with a term of 10 years, both at a fixed interest rate.

At 31 December 2015 € 41.6 million of the unguaranteed credit of a total credit agreement of € 156.6 million had been taken up (2014: € 5.0 million).

The transaction costs for the refinancing in 2012 and 2015 were € -2.8 million and are recognized in the income statement over the term of the unguaranteed credit agreement and the public bond. The amount not recognized in the income statement is charged to loans and borrowings.

At the end of 2015 the outstanding Commercial Paper debt was € 0.0 million (2014: € 41.0 million).

#### Finance lease liabilities

The share of the digital projectors that were sold to a third party in 2010 and since then have been leased back in the

non-current and current lease debt is € 0.9 million and € 2.2 million respectively. Since 2014 no new digital projectors were sold and leased back.

The lease of the complex in Groningen (The Netherlands), which was acquired in 2014, was classified as a finance lease and recognized in the current and non-current lease liabilities for € 0.4 million (2014: € 0.6 million) and € 8.2 million (2014: € 8.4 million) respectively.

The lease liabilities also include the lease of digital projectors from the acquired Wolff Bioscopen group for € 0.1 million (2014: € 0.2 million) non-current and € 0.1 million (2014: € 0.1 million) current.

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

For more information about the Group's financial leases, see notes 11 and 24.

#### Future minimum lease payments

| IN '000 €                  | 2014          |                  |               | 2015          |                  |               |
|----------------------------|---------------|------------------|---------------|---------------|------------------|---------------|
|                            | PAYMENTS      | INTEREST CHARGES | CAPITAL       | PAYMENTS      | INTEREST CHARGES | CAPITAL       |
| Less than one year         | 3 437         | -342             | 3 095         | 3 132         | -367             | 2 765         |
| Between one and five years | 6 477         | -782             | 5 695         | 3 939         | -1 060           | 2 879         |
| More than five years       | 8 270         | -1 956           | 6 314         | 7 590         | -1 241           | 6 349         |
| <b>TOTAL</b>               | <b>18 184</b> | <b>-3 080</b>    | <b>15 104</b> | <b>14 661</b> | <b>-2 668</b>    | <b>11 993</b> |

## 21. Provisions

The provisions primarily concern an unfavorable lease, the reinstatement of land, transformation expenses and several disputes.

#### Unfavorable Almere lease

A € 4.7 million provision was recognized with regard to the unfavorable lease of the Utopolis cinema complex in Almere (The Netherlands) (see note 10).

#### Site restoration

The Brussels (Belgium) cinema complex's lease on the land owned by the City of Brussels ends in 2025. The Company has a contractual obligation to restore the land to its original state. At 31 December 2015 the provision for the demolition of the building and the reinstatement of the land to its original state was € 1.2 million (2014: € 1.1 million).

## Transformation

On 31 December 2015 the provisions for the transformation of the organization were € 0.7 million (2014: € 0.6 million). In 2015 new transformation provisions were set up for € 0.4 million (2014: € 0.4 million). € 0.1 million of the transformation provision was used (2014: € 0.8 million) and € 0.3 million was reversed (2014: € 0.2 million). There is also a € 0.1 million increase due to addition to the consolidation scope.

## Disputes

A number of provisions for disputes were set up in 2010 for a total amount of € 0.5 million. The amount of these provisions was unchanged at 31 December 2015 because there were no further developments in the related cases. When these provisions will be used or reversed depends on the outcome of the legal disputes concerned and is thus uncertain.

| IN '000 €                                      | 2014         | 2015         |
|------------------------------------------------|--------------|--------------|
| <b>BALANCE AT END OF PREVIOUS PERIOD</b>       | <b>3 731</b> | <b>3 107</b> |
| Additions of provisions                        | 565          | 479          |
| Discounting of provisions                      | 38           | 38           |
| Use of provisions                              | -1 029       | -256         |
| Reversal of provisions                         | -198         | -322         |
| Provisions from business combinations          |              | 4 868        |
| <b>BALANCE AT END OF CURRENT PERIOD</b>        | <b>3 107</b> | <b>7 914</b> |
| Balance at end of current period (non-current) | 2 497        | 7 161        |
| Balance at end of current period (current)     | 610          | 753          |
| <b>TOTAL</b>                                   | <b>3 107</b> | <b>7 914</b> |

# 22. Trade and other payables

## NON-CURRENT OTHER PAYABLES

| IN '000 €      | 2014         | 2015          |
|----------------|--------------|---------------|
| Other payables | 7 357        | 10 124        |
| <b>TOTAL</b>   | <b>7 357</b> | <b>10 124</b> |

The non-current other payables primarily comprise the government grants that can be claimed from the CNC in France based on the number of visitors, as well as the contingent consideration.

These government grants of € 8.1 million (2014: € 6.9 million), are recognized as other operating income in line with the depreciation of the assets for which these grants were obtained.

At the time of the acquisition of the Wolff Bioscopen group, a number of contingent considerations were stipulated in the contract. At 31 December 2015 the fair value hereof was € 1.3 million. (2014: € 4.2 million in current other payables). For more information about this, see notes 10 and 24.

## CURRENT TRADE AND OTHER PAYABLES

| IN '000 €                              | 2014          | 2015          |
|----------------------------------------|---------------|---------------|
| Trade payables                         | 52 181        | 64 711        |
| Employee benefits liabilities          | 8 077         | 9 276         |
| Accrued charges and deferred income    | 3 054         | 6 160         |
| Taxes payable, other than income taxes | 4 038         | 5 456         |
| Tax shelter liabilities                | 460           | 760           |
| Contingent considerations              | 4 159         |               |
| Other payables                         | 325           | 603           |
| <b>TOTAL</b>                           | <b>72 294</b> | <b>86 966</b> |

### Accrued charges and deferred income

At 31 December 2015 the accrued interest expenses with respect to the public and private bonds issued were

€ 5.2 million (2014: € 2.9 million). The rise is a consequence of the prefinancing of the expansion. The deferred income was € 0.9 million.

## 23. Current tax liabilities

| IN '000 €                              | 2014         | 2015          |
|----------------------------------------|--------------|---------------|
| Belgian Excess Profit Ruling (EPR) tax |              | 9 355         |
| Current tax liability                  | 7 683        | 10 681        |
| <b>TOTAL</b>                           | <b>7 683</b> | <b>20 036</b> |

The current tax liabilities have risen from € 7.7 million to € 20.0 million, primarily due to the recognition of an uncertain tax position of € 9.4 million with regard to the

EPR (see note 8). The rise in the current tax liability was primarily caused by the expansion and the rise in the taxable profit.

## 24. Risk management and financial instruments

### RISK MANAGEMENT

#### Financial risk management

The Group's principal financial instruments are bank loans, private and public bonds, finance leases and cash.

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

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

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

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

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

#### Interest rate risk

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

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

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

There were no outstanding interest rate swaps at the end of 2015 and 2014.

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

At 31 December 2015, 82% of the Group's borrowings were recognized at a fixed interest rate (2014: 67% at a fixed interest rate).

#### Interest rate risk sensitivity analysis

The interest-bearing loans at the balance sheet date were € 222.8 million (2014: € 136.0 million). € 41.6 million or 18% of the interest-bearing loans have a variable interest rate, without taking into account the effect of the interest rate swap (2014: € 46.1 million or 34%).

Total interest charged to the income statement in 2015 was € 7.1 million (2014: € 4.5 million).

According to the Company's estimates the market interest rate applicable to the variable interest rate loans can reasonably be expected to change as follows:

|              | INTEREST RATE<br>31/12/2015 | THEORETICAL<br>VOLATILITY | POSSIBLE INTEREST<br>RATE AT 31/12/2015 AS<br>USED IN THE<br>SENSITIVITY<br>ANALYSIS |
|--------------|-----------------------------|---------------------------|--------------------------------------------------------------------------------------|
| EURIBOR (3m) | -0.13%                      | +2% / -0.25%              | 1.87% / 0.00%                                                                        |

The variable interest with regard to the loan of € 41.6 million was immediately fixed with an interest rate swap after year-end.

#### Foreign currency risk

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

#### Foreign currency risk sensitivity analysis

| 1 EURO<br>CORRESPONDS TO: | CLOSING RATE<br>31/12/2015 | AVERAGE RATE<br>2015 | THEORETICAL<br>VOLATILITY | POSSIBLE CLOSING RATE<br>31/12/2015 | POSSIBLE<br>AVERAGE RATE 2015 |
|---------------------------|----------------------------|----------------------|---------------------------|-------------------------------------|-------------------------------|
| Polish Zloty              | 4.2615                     | 4.1841               | 20%                       | 3.41 – 5.11                         | 3.35 – 5.02                   |
| Swiss Franc               | 1.0835                     | 1.0679               | 20%                       | 0.87 – 1.30                         | 0.85 – 1.28                   |

The above table states the possible changes in the exchange rate for the Polish Zloty and the Swiss Franc against

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

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

The Group's sales denominated in currencies other than the functional currency are limited. The purchases of the Group's subsidiaries primarily concern the purchase of materials by the Group in US Dollar and to a lesser extend the guarantee obligations in US Dollar entered into by Kinopolis Film Distribution NV towards Dutch Filmworks BV. At 31 December 2015 the Group had outstanding foreign exchange forward contracts for a nominal amount of \$ 2.0 million (2014: \$ 1.2 million) for the purposes of hedging this risk.

Loans between Kinopolis Financial Services NV and other Group companies are expressed in the currency of the latter. Foreign exchange results regarding the non-current loans in Swiss Franc and Polish Zloty of Kinopolis Financial Services NV to Kinopolis Schweiz AG and Kinopolis Poznań Sp.z o.o. are recognized in other comprehensive income, because these loans are considered to be part of the Group's net investment in these foreign entities. The following foreign exchange rate results were recognized directly in equity:

| IN '000 €    | 2014        | 2015       |
|--------------|-------------|------------|
| Polish Zloty | -1 285      | -1 284     |
| Swiss Franc  | 361         | 1 480      |
| <b>TOTAL</b> | <b>-924</b> | <b>196</b> |

The Group also incurs a foreign currency risk from consolidating foreign companies not having the Euro as their functional currency (Switzerland and Poland). This translation risk is not hedged.

the Euro, estimated on the basis of the theoretical volatility.

If, at the balance sheet date, the Polish Złoty and the Swiss Franc had strengthened/weakened as indicated above, and all other variables being constant, the profit would have been € 0.4 million lower (2014: € 0.3 million lower) or € 0.3 million higher (2014: € 0.2 million higher) in 2015 and equity at the end of 2015 would have been € 4.8 million higher or € 3.2 million lower (2014: € 4.5 million higher or € 3.0 million lower).

### **Credit risk**

The credit risk with respect to trade receivables is the risk of financial loss the Group is exposed to if a customer fails to meet its contractual obligations. It is Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The Group accounts for impairment losses in the amount of the estimated losses in relation to trade receivables. This concerns partly specific and partly general loss provisions that are set up as soon as receivables are more than 60 days overdue, unless their collection is still deemed to be likely.

With respect to the credit risk arising from the other financial assets of the Group, including cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Group's exposure to credit risk consists of the counterparty default risk, with a maximum exposure equal to the carrying amount of these instruments.

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

The Group believes that all financial assets for which no impairment losses have been recognized can be collected in full, based on historical payment patterns and a thorough evaluation of the credit risk.

The extent of the Group's credit risk exposure is represented by the aggregate balance of the financial assets. The maximum nominal credit risk in the event that all parties were to fail to meet their obligations was € 103.4 million at 31 December 2015 (2014: € 52.0 million).

### **Liquidity risk**

The Group's goal is to ensure that there is sufficient financing for the long term. The financing need is deter-

mined on the basis of the strategic long-term plan. Various credit forms are used, including bonds, credit lines, bank loans and financial leases, to ensure the continuity and flexibility of the financing. The Group's liquidity is managed through the in-house bank, Kinopolis Financial Services NV. The Group's financing objective is to align the term of its credit lines with the timing of the assumed liabilities relating to the expansion.

### **Capital management**

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

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

Up to 2009 own shares were purchased by means of a share buyback program through a financial institution operating under a discretionary mandate. These 277 231 shares are held to cover the Group's current share option plan.

The Board of Directors takes decisions with regard to the purchase of treasury shares for each specific transaction.

The Board of Directors believed that the ratios of net financial debt to equity and net financial debt to EBITDA were at risk of becoming too low as from mid 2010 and therefore proposed to the General Meeting the reduction of share capital and the purchase of treasury shares to improve the ratios and thus create shareholder value. After approval by the Extraordinary General Meeting of 20 May 2011, the capital was reduced by € 30.0 million and 395 502 shares were bought back in 2011: 34 654 to cover new options and the remainder for cancellation. 349 423 shares were cancelled in 2011. In accordance with the authorization

of the Board of Directors by the Extraordinary General Meeting of 20 May 2011, an additional 713 422 shares were purchased and 724 847 shares were cancelled in 2012.

On 19 October 2012 the Extraordinary General Shareholder's Meeting approved another authorization to purchase up to 1 171 301 own shares for cancellation, subject to certain circumstances. This authorization is valid for a term of five years and can be renewed. Under the new authorization, a new share buy-back program was launched in 2013 to buy back 300 000 shares. 276 492 shares were bought back in 2013.

On 18 December 2013 the Board of Directors decided to cancel 273 854 shares.

On 16 May 2014 the Extraordinary General Meeting decided to split the Group's 5 582 654 shares into five on 1 July 2014. Taking into account the share split, 604 710 shares were bought back in 2014.

On 18 December 2014 the Board of Directors decided to cancel 548 073 shares. Therefore, the Group's share capital at 31 December 2014 was represented by 27 365 197 ordinary shares without nominal value. The number of regular shares remained unchanged in 2015.

At the end of 2015 the Group held 244 221 treasury shares: 29 339 shares were bought back in 2015 and 1 314 370 treasury shares were used to exercise options. 93 054 treasury shares still need to be cancelled.

## FINANCIAL INSTRUMENTS

### Debt portfolio

In January 2015 the Group concluded a private placement of bonds with institutional investors for € 96.0 million: € 61.4 million was placed with a term of 7 years and € 34.6 million with a term of 10 years. A fixed annual gross interest is paid on both bonds. This private placement complies with the Group's financial strategy and serves to support the expansion, by increasing the diversification of the sources of financing and by refinancing the existing credits.

The Group also issued a non-subordinated bond for € 75.0 million in Belgium on 6 March 2012. The bonds mature in seven years and have a fixed annual gross

interest of 4.75%. On 12 May 2015 Kinopolis Group NV announced the launch of an unconditional public exchange offer on all outstanding € 75.0 million fixed interest bonds with a gross interest of 4.75% and a maturity date of 6 March 2019. Holders of the existing bonds had the opportunity to exchange their existing bonds for new bonds to be issued by Kinopolis Group NV with a nominal value of € 1 000, gross nominal interest of 4.0% per year and a term of 8 years, with maturity date on 9 June 2023 (the 'New Bonds'). Bonds for a total value of € 15.9 million were exchanged.

On 15 February 2012, within the framework of the refinancing of its existing syndicated credit and the financing of the further general development of the Group, Kinopolis Group NV signed a € 90.0 million credit agreement with ING Belgium, KBC Bank and BNP Paribas Fortis until 31 March 2017 (roll-over credit). At the end of June 2015 this existing credit facility was renewed with the bank consortium for the full term until the end of June 2020. This credit facility was revised in December 2015 in response to the Utopolis acquisition and expanded with a fixed-term loan of 7 years with annual repayments. At 31 December 2015 € 41.6 million had been taken up (2014: € 5.0 million). No securities were provided. Only a number of conditions apply with regard to the sale or provision as security of certain of the Group's assets to a third party. This agreement contains certain financial covenants, including a maximum leverage ratio of 3.5, a minimum interest coverage of 4.5 and a minimum solvency ratio of 20%, as well as a number of potentially restrictive undertakings limiting or preventing specific business transactions. All these covenants were met in 2015, as they were in 2014. The interest payable on the credit agreement is calculated on the basis of the EURIBOR applicable to the selected borrowing period plus the negotiated margin.

In 2010 a sale and leaseback agreement was concluded for an amount up to € 17.5 million. Under this agreement Kinopolis sells tangible fixed assets and leases them back for a term of six years. This facility provides an additional alternative to long-term bank financing. At 31 December 2015 € 3.1 million was outstanding (2014: € 5.7 million). These lease liabilities are guaranteed by the leased assets. The payable interest is calculated on the basis of a fixed interest rate determined as a weighted average of the BPR over 1 up to 6 years, increased by the negotiated margin.

Within the framework of the acquisition of the Wolff Bioscopen group in 2014, the lease of the complex in Groningen (The Netherlands) was renegotiated for a period of 17 years and classified as a finance lease (see note 11). The lease debt at the commencement of the new contract was determined by discounting the future rental payments of the Group on the basis of the marginal interest rate of the Group, as the implicit interest rate of the lease was not available. At 31 December 2015 this debt was € 8.6 million (2014: € 9.0 million).

The projectors of the Wolff Bioscopen group acquired in 2014 were sold to a third party in 2011 and leased back for

a period of up to 10 years. The carrying amount of this lease debt was € 0.2 million at 31 December 2015 (2014: € 0.3 million).

In 2014 new projectors were leased in the acquired Spanish complexes from a third party for a period of up to 10 years. The lease debt in question was € 0.1 million at 31 December 2015 (2014: € 0.1 million).

For more information about the three aforementioned leases, see notes 11 and 20.

### Financial liabilities – contractual cash flows

The following table gives an overview of the contractual

maturities for the financial liabilities at 31 December 2015, including the estimated interest payments:

| IN '000 €                                     | 2015          |                |                |                |
|-----------------------------------------------|---------------|----------------|----------------|----------------|
|                                               | <1 YEAR       | 1-5 YEARS      | >5 YEARS       | TOTAL          |
| Private placement of bonds                    | 2 744         | 10 973         | 104 744        | 118 461        |
| Bond                                          | 3 443         | 70 087         | 17 783         | 91 313         |
| Trade payables                                | 64 711        |                |                | 64 711         |
| Loans and borrowings with credit institutions | 6 548         | 25 335         | 12 108         | 43 991         |
| Lease liabilities                             | 3 131         | 3 943          | 7 590          | 14 664         |
| Contingent considerations                     |               | 1 289          |                | 1 289          |
| Tax shelter liabilities                       | 760           |                |                | 760            |
| Third party current account payables          | 43            |                |                | 43             |
| Bank overdrafts                               | 43            |                |                | 43             |
| <b>Non-derivative financial liabilities</b>   | <b>81 423</b> | <b>111 627</b> | <b>142 225</b> | <b>335 275</b> |
| Foreign exchange forward contracts            |               |                |                |                |
| - Outflow                                     | 1 764         |                |                | 1 764          |
| - Inflow                                      | -1 837        |                |                | -1 837         |
| <b>Derivative financial liabilities</b>       | <b>-73</b>    |                |                | <b>-73</b>     |
| <b>TOTAL</b>                                  | <b>81 350</b> | <b>111 627</b> | <b>142 225</b> | <b>335 202</b> |

| IN '000 €                                     | 2014           |                |              |                |
|-----------------------------------------------|----------------|----------------|--------------|----------------|
|                                               | <1YEAR         | 1-5 YEARS      | >5 YEARS     | TOTAL          |
| Bond                                          | 3 563          | 89 250         |              | 92 813         |
| Trade payables                                | 52 181         |                |              | 52 181         |
| Commercial Paper                              | 41 000         |                |              | 41 000         |
| Lease liabilities                             | 3 437          | 6 477          | 8 270        | 18 184         |
| Loans and borrowings with credit institutions | 51             | 5 104          |              | 5 155          |
| Contingent considerations                     | 4 159          |                |              | 4 159          |
| Tax shelter liabilities                       | 460            |                |              | 460            |
| Bank overdrafts                               | 470            |                |              | 470            |
| Third party current account payables          | 43             |                |              | 43             |
| <b>Non-derivative financial liabilities</b>   | <b>105 364</b> | <b>100 831</b> | <b>8 270</b> | <b>214 465</b> |
| Foreign exchange forward contracts            |                |                |              |                |
| - Outflow                                     | 959            |                |              | 959            |
| - Inflow                                      | -988           |                |              | -988           |
| <b>Derivative financial liabilities</b>       | <b>-29</b>     |                |              | <b>-29</b>     |
| <b>TOTAL</b>                                  | <b>105 335</b> | <b>100 831</b> | <b>8 270</b> | <b>214 436</b> |

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

| IN '000 €                                     | 2014          |               | 2015          |              |
|-----------------------------------------------|---------------|---------------|---------------|--------------|
|                                               | TOTAL         | <1YEAR        | TOTAL         | <1YEAR       |
| Loans and borrowings with credit institutions | 5 000         | 5 000         | 41 600        | 5 949        |
| Bank overdrafts                               | 470           | 470           | 43            | 43           |
| Commercial Paper                              | 41 000        | 41 000        |               |              |
| <b>TOTAL</b>                                  | <b>46 470</b> | <b>46 470</b> | <b>41 643</b> | <b>5 992</b> |

### Hedging activities

The Group uses derivative financial instruments to hedge the interest rate risk. All derivative financial instruments are measured at fair value. The following table gives the remain-

ing term of the outstanding derivative financial instruments at closing date. The amounts given in this table are the notional amounts.

| IN '000 \$                         | 2015   |           |          |       |
|------------------------------------|--------|-----------|----------|-------|
|                                    | <1YEAR | 1-5 YEARS | >5 YEARS | TOTAL |
| <b>Foreign currency</b>            |        |           |          |       |
| Foreign exchange forward contracts | 2 000  |           |          | 2 000 |

| IN '000 \$                         | 2014   |           |          |       |
|------------------------------------|--------|-----------|----------|-------|
|                                    | <1YEAR | 1-5 YEARS | >5 YEARS | TOTAL |
| <b>Foreign currency</b>            |        |           |          |       |
| Foreign exchange forward contracts | 1 200  |           |          | 1 200 |

### Fair value

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

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

| IN '000 €                                        | 2014            |                | 2015            |                |
|--------------------------------------------------|-----------------|----------------|-----------------|----------------|
|                                                  | CARRYING AMOUNT | FAIR VALUE     | CARRYING AMOUNT | FAIR VALUE     |
| Private placement of bonds – fixed interest rate |                 |                | 96 000          | 100 368        |
| Public bond – fixed interest rate                | 75 000          | 83 459         | 75 000          | 81 622         |
| Interest-bearing loans – variable interest rate  | 46 000          | 46 000         | 41 600          | 41 600         |
| Lease liabilities – fixed interest rate          | 15 104          | 15 203         | 11 993          | 12 157         |
| Bank overdrafts                                  | 470             | 470            | 43              | 43             |
| Transaction costs refinancing                    | -538            | -538           | -1 879          | -1 879         |
| <b>TOTAL</b>                                     | <b>136 036</b>  | <b>144 594</b> | <b>222 757</b>  | <b>233 911</b> |

The fair value of the public bond with fixed interest rate (level 2) was measured by discounting the future cash flows based on an interest rate of 2.20% for the part of the bond with a maturity date in 2019 and 3.18% for the part of the bond with a maturity date in 2023 (2014: 2.33%).

The fair value of the private bond with fixed interest rate (Level 2) was measured by discounting the future cash flows based on an interest rate of 2.53% for the bond with a term of 7 years and 1.94% for the part of the bond with a term of 10 years.

An interest rate of 2.09% for the leased projectors and 3.18% for the leased complex in Groningen (The Netherlands) was

used to measure the fair value of the lease liabilities (Level 2) by discounting the future cash flows (2014: 2.32% for the leased projectors; 3.31% for the leased complex).

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

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

| AMOUNTS IN '000 € UNLESS STATED OTHERWISE | 2014                     |            | 2015                     |            |
|-------------------------------------------|--------------------------|------------|--------------------------|------------|
|                                           | NOMINAL VALUE IN '000 \$ | FAIR VALUE | NOMINAL VALUE IN '000 \$ | FAIR VALUE |
| <b>Foreign currency</b>                   |                          |            |                          |            |
| Foreign exchange forward contracts        | 1 200                    | 27         | 2 000                    | 64         |
| <b>TOTAL</b>                              | <b>1 200</b>             | <b>27</b>  | <b>2 000</b>             | <b>64</b>  |

At 31 December 2015 there were no outstanding interest rate swaps. The fair value of foreign exchange forward contracts is calculated as the discounted value of the difference between

the value of these contracts based on the exchange rate at the balance sheet date and the contract value based on the forward exchange rates at the same date.

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

| IN '000 €    | 2014      |             |           | 2015      |             |           |
|--------------|-----------|-------------|-----------|-----------|-------------|-----------|
|              | ASSETS    | LIABILITIES | NET VALUE | ASSETS    | LIABILITIES | NET VALUE |
| Non-current  |           |             |           |           |             |           |
| Current      | 27        |             | 27        | 64        |             | 64        |
| <b>TOTAL</b> | <b>27</b> |             | <b>27</b> | <b>64</b> |             | <b>64</b> |

At 31 December 2015 the fair value of the contingent considerations was € 1.3 million. This amount was determined on the basis of the following assumptions:

- ★ The number of visitors of the new future complex in Utrecht (The Netherlands) in the third year after opening;

- ★ The two existing complexes in Utrecht and the complexes in Nieuwegein (The Netherlands) and Rotterdam (The Netherlands) will continue to be leased during the agreed term.

The non-observable significant input is the number of visitors to the Group's future new-build project in Utrecht (The Netherlands). The estimated fair value will increase or decrease depending on whether the number of visitors to the new complex in Utrecht is higher or lower.

#### Fair value hierarchy

The table below provides an overview of the financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable input).

| IN '000 €                                         | 2014      |              |         | 2015      |              |         |
|---------------------------------------------------|-----------|--------------|---------|-----------|--------------|---------|
|                                                   | LEVEL 1   | LEVEL 2      | LEVEL 3 | LEVEL 1   | LEVEL 2      | LEVEL 3 |
| <b>Cash flow hedging – Currency</b>               |           |              |         |           |              |         |
| Foreign exchange forward contracts                |           | 27           |         |           | 64           |         |
| <b>Finance liabilities measured at fair value</b> |           |              |         |           |              |         |
| Contingent considerations                         |           |              | 4 159   |           |              | 1 289   |
| <b>TOTAL</b>                                      | <b>27</b> | <b>4 159</b> |         | <b>64</b> | <b>1 289</b> |         |

#### Level 3 fair value

The following table shows the reconciliation between the opening and closing balance for the level 3 fair value:

| IN '000 €                                         | CONTINGENT CONSIDERATIONS |
|---------------------------------------------------|---------------------------|
| <b>BALANCE AT END OF PREVIOUS PERIOD</b>          | <b>4 159</b>              |
| Paid consideration (see note 10)                  | -2 670                    |
| Change in the fair value (realized) (see note 10) | -200                      |
| <b>BALANCE AT END OF CURRENT PERIOD</b>           | <b>1 289</b>              |

#### Level 3 fair value sensitivity analysis

The possible change in the significant non-observable input stated below could reasonably have the following impact on

the fair value of the contingent considerations at balance sheet date:

| IN '000 €                                                                                           | 2014 | 2015 |
|-----------------------------------------------------------------------------------------------------|------|------|
| 10% increase in the projected number of visitors of the future complex in Utrecht (The Netherlands) | 535  | 535  |
| 10% decrease in the projected number of visitors of the future complex in Utrecht (The Netherlands) | -535 | -535 |

## 25. Operating leases

#### Leases as Lessee

Non-cancellable operating lease rentals are payable as follows:

| IN '000 €                                                                         | 2014          | 2015          |
|-----------------------------------------------------------------------------------|---------------|---------------|
| Less than one year                                                                | 7 515         | 7 981         |
| Between one and five years                                                        | 24 316        | 23 969        |
| More than five years                                                              | 20 720        | 16 163        |
| <b>TOTAL</b>                                                                      | <b>52 551</b> | <b>48 113</b> |
| Minimum lease payments in the income statement with regard to operating leases    | 6 164         | 6 960         |
| Contingent lease payments in the income statement with regard to operating leases | 247           | 575           |

The complex in Valencia (Spain) is leased for a period of 40 years since May 2001. There is an option to terminate the contract after 20 years. The contract does not provide for a purchase option.

The Group also leases the complex in the centre of Nîmes (France) and a complex in the centre of Liège (Belgium). The term of these leases is nine years (renewable). A fixed rent is always charged.

The Group also leases the land on which a number of complexes have been built and the adjacent car park for a remaining period of 10 years (renewable) in Belgium, 21 years in Luxembourg, and 35 and 48 years in France (long lease construction). The paid rent is partly fixed and partly variable, based on the number of tickets sold. This variable rent was € 0.2 million in 2015 (2014: € 0.2 million).

A number of car parks are also leased in Belgium for a period of 1 to 27 years (renewable). A fixed rent is always charged.

The Group also leases office space in Belgium for a period of two to nine years (renewable). The rent is always fixed.

All buildings housing Dutch entities of the Group, which were acquired in 2014, except for the building in Enschede (The Netherlands), are leased. Except for the rent on the building in Groningen (The Netherlands) these are all

operating leases. The contracts have a term of 1 to 10 years (renewable). The rent is always fixed.

The complexes in Spain (Alicante and Madrid) acquired in 2014 are leased for a period of 10 years (renewable for two periods of 5 years; can be cancelled by the tenant if the number of visitors falls below a given threshold) and 20 years (not renewable; can be cancelled by the tenant after 10 and 15 years) respectively. The paid rent is partly fixed and partly variable, based on the number of paying visitors. This variable rent was € 0.4 million in 2015 (2014: € 0.0 million).

Part of the complexes acquired in The Netherlands in 2015 (Oss, Zoetermeer and Emmen) are owned by the Group. The cinema complexes in Almere and Den Helder are leased for a period of 18 and 7 years respectively. The rent is always fixed. The acquired cinema complexes in Luxembourg, with the exception of the complex in Kirchberg, are leased with a remaining term of 1 and 5 years. The rent is always fixed.

Lastly, the Group leases cars for some of its employees. These contracts have a term of 3 to 5 years (sometimes renewable). All lease sums are fixed.

#### Leases as lessor

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

| IN '000 €                                                                         | 2014          | 2015          |
|-----------------------------------------------------------------------------------|---------------|---------------|
| Less than one year                                                                | 5 772         | 6 613         |
| Between one and five years                                                        | 8 658         | 10 326        |
| More than five years                                                              | 1 387         | 1 177         |
| <b>TOTAL</b>                                                                      | <b>15 817</b> | <b>18 116</b> |
| Minimum lease payments in the income statement with regard to operating leases    | 6 708         | 7 007         |
| Contingent lease payments in the income statement with regard to operating leases | 368           | 529           |

The leases as lessor primarily concern the multiplex in Poznań (Poland) leased to Cinema City since January 2007 for a term of ten years (renewable by 5 years). The rent consists of a fixed and a variable portion, the latter is expressed as a percentage of Box office revenue. This variable rent was € 0.4 million in 2015 (2014: € 0.0 million).

Since 2014 the Group leases the Toison d'Or cinema in Brussels (Belgium) to UGC. This is a contract with a term of 18 years (renewable twice for 9 years). The rent consists of a fixed and a variable portion. The variable part is determined on the basis of the number of visitors. This variable rent was € 0.0 million in 2015 (2014: € 0.0 million).

The Group also leases part of its complexes to third parties for the exploitation of shops or cafés. These concessions have a term of 1 to 36 years (renewable).

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

## 26. Capital commitments

At the end of 2015 the Group had material capital commitments for € 24.3 million (2014: € 8.2 million). These are commitments with regard to the construction

of new cinemas in Utrecht and Breda in The Netherlands, the construction of the new complexes in France, and the development of a new front office software for the Group.

## 27. Contingencies

### KFD

At the end of 2015 the Group had contingencies for € 1.1 million (2014: € 1.7 million). These are minimum guarantee commitments of Kinopolis Film Distribution NV toward Dutch Filmworks BV for films that were not yet released, but for which contractual obligations already exist.

### Utopolis

On the acquisition date of Utopolis, a permit had not yet been issued for one of its complexes, due to an administrative error. If the permit is not issued or it is issued only for an exploitation that fundamentally differs from the way in which the complex was operated by the former shareholders, or if the procedure for obtaining the permit would have significant negative consequences, Kinopolis Group

may sell back the complex to the former shareholders of Utopia SA at a price established in advance. The aforementioned permit is expected to be issued in 2016.

### Utopolis Belgium

Kinopolis Group NV completed the acquisition of Utopolis (Utopia SA), excluding the Belgian complexes, on 9 November 2015. The acquisition of the four Belgian complexes is subject to the approval of the Belgian Competition Authority. If this approval is not given, the shareholders of the Belgian Utopolis entities are entitled, in due course, to sell the operations to a third party and also to sell the real estate to Kinopolis Group NV. If the price received for the sale of the operations is below a minimum price agreed in advance, the difference will be compensated.

## 28. 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 €                        | 2014         | 2015         |
|----------------------------------|--------------|--------------|
| <b>Directors</b>                 |              |              |
| Remuneration                     | 351          | 366          |
| <b>Executive officers (CEOs)</b> |              |              |
| Short-term employee benefits     | 1 403        | 1 483        |
| Share-based payments             | 77           | 44           |
| Group insurance                  | 10           | 10           |
| <b>TOTAL</b>                     | <b>1 841</b> | <b>1 903</b> |

The CEO's of the Group and the Chairman of the Board of Directors took part in the 2007-2016 Group Share Option Plan (Incentive Plan) (see Note 19) (1 039 620 options (after impact of the share split) in 2014). In 2015 all options in the share option plan provided for them were exercised. For more information, see the remuneration report in the Corporate Governance Statement.

#### Transactions with other related parties

Kinohold BIS SA provides certain administrative services

to the Group, charging a market rate of € 0.4 million in 2015 (2014: € 0.4 million).

Pentascop NV provides a number of maintenance and transport services to the Group, charging a market rate of € 0.6 million in 2015 (2014: € 0.3 million). The full amount was paid on 31 December 2015 (2014: € 0.1 million not paid at the end of the year).

## 29. Subsequent events

#### Acquisition of the operations the complex in Rouen Saint-Sever shopping center

On 13 January 2016 the Group took over the running of the complex located in Saint-Sever shopping center in the heart of Rouen (Normandy, France) for € 0.4 million. Formerly run by UCG, the complex has 14 screens and 2 500 seats, and welcomed more than 400 000 visitors in 2015.

#### Kinepolis Dordrecht

The first new-build Kinepolis complex in The Netherlands was officially opened on 17 February 2016. Kinepolis Dordrecht has six screens and 1 200 seats, and catches the eye with its unusual architecture and waterside location.

#### Belgian Excess profit ruling

On 11 January 2016, The European Commission published its decision that Belgian tax rulings granted to multinationals

with regard to 'Excess Profit' should be considered as illegal state aid. On 26 February 2016, the Belgian government has appealed against the European Commission's decision before the European Court of Justice. Kinepolis will decide whether any legal action will be taken depending on the further evolution of the case (see note 8).

#### Acquisition of the Belgian Utopolis activities

Kinepolis Group NV completed the acquisition of Utopolis (Utopia SA), excluding the Belgian complexes, on 9 November 2015, pursuant to the agreement in principle announced in early July 2015. The acquisition comprises nine complexes in three countries, The Grand Duchy of Luxembourg (3), The Netherlands (5) and France (1). The acquisition of the four Belgian complexes is subject to the approval of the Belgian Competition Authority. This decision had not been announced when this report was approved by the Board of Directors.

## 30. Mandates and remuneration of the statutory auditor

The statutory auditor for the Company is KPMG Bedrijfsrevisoren, represented by Mr S. Cosijns.

For the entire Group, the mandates and remuneration can be summarized as follows:

| IN '000 €                                                                                                                                              | 2014       | 2015       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| <b>Remuneration of the statutory auditor</b>                                                                                                           | <b>296</b> | <b>296</b> |
| Other audit-related services                                                                                                                           | 42         | 19         |
| Tax services                                                                                                                                           |            |            |
| Other                                                                                                                                                  |            | 20         |
| <b>Remuneration for other services or assignments performed within the Company and its subsidiaries by the statutory auditor</b>                       | <b>42</b>  | <b>39</b>  |
| <b>Remuneration for persons associated to the statutory auditor for the performance of a mandate as statutory auditor</b>                              | <b>123</b> | <b>138</b> |
| Other audit-related services                                                                                                                           | 10         | 8          |
| Tax services                                                                                                                                           | 48         | 60         |
| Other                                                                                                                                                  |            |            |
| <b>Remuneration for other services or assignments performed within the Company and its subsidiaries by persons associated to the statutory auditor</b> | <b>58</b>  | <b>68</b>  |
| <b>TOTAL</b>                                                                                                                                           | <b>519</b> | <b>541</b> |

## 31. Group entities

### List of fully consolidated companies

| COUNTRY         | NAME                                   | MUNICIPALITY     | VAT OR ENTERPRISE NUMBER | % 2014 | % 2015 |
|-----------------|----------------------------------------|------------------|--------------------------|--------|--------|
| Belgium         | Brightfish NV                          | Brussels         | BE 0450 523 725          | 100    | 100    |
|                 | Kinopolis Braine SA                    | Braine-L'Alleud  | BE 0462 688 911          | 100    | 100    |
|                 | Kinopolis Film Distribution (KFD) NV   | Brussels         | BE 0445 372 530          | 100    | 100    |
|                 | Kinopolis Financial Services NV        | Brussels         | BE 0886 547 831          | 100    | 100    |
|                 | Kinopolis Group NV                     | Brussels         | BE 0415 928 179          | 100    | 100    |
|                 | Kinopolis Immo Hasselt NV              | Hasselt          | BE 0455 729 358          | 100    | 100    |
|                 | Kinopolis Immo Multi NV                | Brussels         | BE 0877 736 370          | 100    | 100    |
|                 | Kinopolis Liège NV                     | Hasselt          | BE 0459 469 796          | 100    | 100    |
|                 | Kinopolis Mega NV                      | Brussels         | BE 0430 277 746          | 100    | 100    |
|                 | Kinopolis Multi NV                     | Kortrijk         | BE 0434 861 589          | 100    | 100    |
|                 | KP Immo Brussel NV                     | Brussels         | BE 0816 884 015          | 100    | 100    |
|                 | The Belux Booking Cie BVBA             | Mechelen         | BE 0826 444 948          | -      | 100    |
| France          | Eden Panorama SA                       | Lomme            | FR 02340483221           | 100    | 100    |
|                 | Forum Kinopolis SA                     | Nîmes            | FR 86421038548           | 100    | 100    |
|                 | Kinopolis Bourgoin SA                  | Bourgoin-Jallieu | FR 65779487297           | -      | 100    |
|                 | Kinopolis France SA                    | Lomme            | FR 20399716083           | 100    | 100    |
|                 | Kinopolis Film Distribution France SAS | Lomme            | FR 43789848280           | 100    | 100    |
|                 | Kinopolis Immo St. Julien-lès-Metz SAS | Metz             | FR 51398364463           | 100    | 100    |
|                 | Kinopolis Immo Thionville SA           | Thionville       | FR 10419162672           | 100    | 100    |
|                 | Kinopolis Le Château du Cinéma SAS     | Lomme            | FR 60387674484           | 100    | 100    |
|                 | Kinopolis Mulhouse SA                  | Mulhouse         | FR 18404141384           | 100    | 100    |
|                 | Kinopolis Nancy SAS                    | Nancy            | FR 00428192819           | 100    | 100    |
|                 | Kinopolis Prospection SAS              | Lomme            | FR 45428192058           | 100    | 100    |
|                 | Kinopolis St. Julien-lès-Metz SA       | Metz             | FR 43398364331           | 100    | 100    |
|                 | Kinopolis Thionville SA                | Thionville       | FR 09419251459           | 100    | 100    |
|                 | Utopolis Longwy SAS                    | Longwy           | FR 21432763563           | -      | 100    |
| Luxembourg      | Utopolis Belval SA                     | Luxembourg       | LU 220 75 333            | -      | 100    |
|                 | Majestiek International SA             | Luxembourg       | LU 19942206638           | 100    | 100    |
|                 | Utopia SA                              | Luxembourg       | LU 160 90 380            | -      | 100    |
| The Netherlands | Kinopolis Booking NL BV                | Utrecht          | NL 822229936B01          | 100    | 100    |
|                 | Kinopolis Immo BV                      | Utrecht          | NL 003182794B01          | 100    | 100    |
|                 | Kinopolis Rotterdam BV                 | Utrecht          | NL 808810261B01          | 100    | 100    |
|                 | Kinopolis Beheermaatschappij BV        | Utrecht          | NL 007081698B01          | 100    | 100    |
|                 | Kinopolis Bioscopen Holding BV         | Utrecht          | NL 822624382B01          | 100    | 100    |
|                 | Kinopolis Enschede BV                  | Utrecht          | NL 808883574B01          | 100    | 100    |
|                 | Kinopolis Groningen BV                 | Utrecht          | NL 816165774B01          | 100    | 100    |
|                 | Kinopolis Huizen BV                    | Utrecht          | NL 820697230B01          | 100    | 100    |
|                 | Kinopolis Exploitatie BV               | Utrecht          | NL 819683036B01          | 100    | 100    |
|                 | Kinopolis Participatie BV              | Utrecht          | NL 822624357B01          | 100    | 100    |
|                 | Utopia Nederland Beheer BV             | Almere           | NL 804687237B02          | -      | 100    |
|                 | Utopia Nederland Vastgoed BV           | Almere           | NL 804687237B05          | -      | 100    |
|                 | Utopia Nederland BV                    | Almere           | NL 804687237B03          | -      | 100    |
|                 | Utrechtse Film Onderneming 'Ufio' BV   | Utrecht          | NL 003182812B01          | 100    | 100    |

| COUNTRY     | NAME                         | MUNICIPALITY       | VAT OR ENTERPRISE NUMBER | % 2014 | % 2015 |
|-------------|------------------------------|--------------------|--------------------------|--------|--------|
| Poland      | Kinopolis Poznań S.p.z. o.o. | Poznań             | NIP 5252129575           | 100    | 100    |
| Spain       | Kine Invest SA               | Pozuelo de Alarcon | ESA 824 896 59           | 100    | 100    |
|             | Kinopolis España SA          | Pozuelo de Alarcon | ESA 814 870 27           | 100    | 100    |
|             | Kinopolis Granada SA         | Pozuelo de Alarcon | ESA 828 149 55           | 100    | 100    |
|             | Kinopolis Jerez SA           | Pozuelo de Alarcon | ESA 828 149 22           | 100    | 100    |
|             | Kinopolis Madrid SA          | Pozuelo de Alarcon | ESA 828 149 06           | 100    | 100    |
|             | Kinopolis Paterna SA         | Pozuelo de Alarcon | ESA 828 149 14           | 100    | 100    |
| Switzerland | Kinopolis Schweiz AG         | Schaffhausen       | CH 2903013216-5          | 100    | 100    |

## CHANGES IN THE CONSOLIDATION SCOPE

### New participating interests in subsidiaries

Kinopolis Group NV acquired the French company Mégaroyal on 8 July 2015.

The acquisition of Utopolis group (Utopia SA) was completed on 9 November 2015. The following companies were acquired:

- ★ Utopia SA
- ★ Utopolis Belval SA
- ★ Utopolis Longwy SAS
- ★ Utopia Nederland Beheer BV
- ★ Utopia Nederland Vastgoed BV
- ★ Utopia Nederland BV
- ★ The Belux Booking Cie BVBA

### Mergers

Kinopolis Immo Liège NV merged with Kinopolis Liège NV on 1 July 2015.

### Other

The corporate name of the following companies was changed:

- ★ Kinopolis Booking NL BV  
(formerly Eerste Theater Programmatie BV)
- ★ Kinopolis Rotterdam BV (formerly Murillo BV)
- ★ Kinopolis Beheermaatschappij BV  
(formerly Wolff Beheermaatschappij BV)
- ★ Kinopolis Bioscopen Holding BV  
(formerly Wolff Bioscopen Holding BV)
- ★ Kinopolis Enschede BV (formerly Wolff Enschede BV)
- ★ Kinopolis Groningen BV (formerly Wolff Groningen BV)
- ★ Kinopolis Huizen BV (formerly Wolff Huizen BV)
- ★ Kinopolis Exploitatie BV  
(formerly Wolff Megabioscoop Utrecht BV)
- ★ Kinopolis Participatie BV (formerly Wolff Participatie BV)

# Statutory auditor's report to the general meeting of Kinopolis Group NV as of and for the year ended 31 December 2015

FREE TRANSLATION OF UNQUALIFIED STATUTORY  
AUDITOR'S REPORT ORIGINALLY PREPARED IN DUTCH

**In accordance with the legal requirements, we report to you in the context of our statutory auditor's mandate. This report includes our report on the consolidated financial statements as of and for the year ended 31 December 2015, as defined below, as well as our report on other legal and regulatory requirements.**

## **REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS – UNQUALIFIED OPINION**

We have audited the consolidated financial statements of Kinopolis Group NV ("the Company") and its subsidiaries (jointly "the Group"), 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 2015 and the consolidated income statement and the consolidated statements of profit and loss and other comprehensive income, 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 490.699.(000) and the consolidated statement of profit or loss and other comprehensive income shows a profit for the year of EUR 33.162.(000).

## **Board of directors' responsibility 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 the 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.

## **Statutory auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

We have obtained from the Company's officials and the board of directors 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 unqualified opinion.

#### **Unqualified opinion**

In our opinion, the consolidated financial statements give a true and fair view of the Group's equity and consolidated financial position as at 31 December 2015 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.

#### **Emphasis of matter**

We draw attention to Note 8 Income taxes to the consolidated financial statements which describes the uncertain tax position amounting to EUR 9.355.(000) related to the outcome of the decision of the European Commission on the Belgian fiscal rulings related to excess profit. Our opinion is not qualified in respect of this matter.

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

The board of directors is responsible for the preparation and the content of the management report on the consolidated financial statements.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not modify the scope of our opinion on the consolidated financial statements:

- ★ The annual report on the consolidated financial statements includes the information required by law, is consistent, in all material respects, with the consolidated financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Kontich, 24 March 2016

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren  
Statutory Auditor  
represented by

S. Cosijns  
Réviseur d'Entreprises / Bedrijfsrevisor

# Condensed financial statements of Kinopolis Group NV

The following information is an extract from the unconsolidated financial statements of Kinopolis Group NV, drawn up in accordance with the Belgian accounting principles. These unconsolidated financial statements, together with the management report to the General Shareholders' Meeting and the Auditor's report, will be filed with the National Bank of Belgium within the legal deadline.

It should be noted that only the consolidated financial statements as presented above give a true and fair view of the financial position and performance of Kinopolis Group.

Since Kinopolis Group NV is essentially a holding company that accounts for its investments at cost in its unconsolidated statements, these separate financial statements only give a limited view of the financial position of Kinopolis Group NV. Therefore the Board of Directors has deemed it appropriate to present only a condensed unconsolidated

balance sheet and income statement, prepared according to the Belgian accounting principles for the year ended 31 December 2015.

The statutory auditor's report on these statements is 'unqualified' and confirms that the unconsolidated financial statements of Kinopolis Group NV, prepared in accordance with Belgian accounting principles for the year ending 31 December 2015, give a true and fair view of the financial position of Kinopolis Group NV in accordance with all legal and regulatory provisions.

The unconsolidated financial statements of Kinopolis Group NV can be obtained free of charge from the website of the Nationale Bank van België ([www.nbb.be](http://www.nbb.be)), in section 'Balanscentrale', subsection 'Jaarrekeningen raadplegen' or requested free of charge from Investor Relations.

## CONDENSED UNCONSOLIDATED INCOME STATEMENT OF KINOPOLIS GROUP NV

| IN '000 €                                  | 2014           | 2015           |
|--------------------------------------------|----------------|----------------|
| <b>Non-current assets</b>                  | <b>267 427</b> | <b>349 766</b> |
| Intangible assets                          | 1 466          | 1 227          |
| Property, plant and equipment              | 10 260         | 9 973          |
| Financial fixed assets                     | 255 701        | 338 566        |
| <b>Current assets</b>                      | <b>36 482</b>  | <b>39 845</b>  |
| <b>TOTAL ASSETS</b>                        | <b>303 909</b> | <b>389 611</b> |
| <b>Equity</b>                              | <b>66 944</b>  | <b>67 372</b>  |
| Issued capital                             | 18 952         | 18 952         |
| Share premium                              | 1 154          | 1 154          |
| Legal reserve                              | 1 895          | 1 895          |
| Unavailable reserves                       | 9 364          | 3 238          |
| Available reserves                         | 7 050          | 7 050          |
| Profit carried forward                     | 28 529         | 35 083         |
| <b>Provisions and deferred taxes</b>       | <b>337</b>     | <b>9 355</b>   |
| <b>Non-current loans and borrowings</b>    | <b>148 430</b> | <b>260 669</b> |
| <b>Current loans and borrowings</b>        | <b>82 862</b>  | <b>38 050</b>  |
| <b>Accrued charges and deferred income</b> | <b>5 336</b>   | <b>14 165</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>        | <b>303 909</b> | <b>389 611</b> |

## CONDENSED UNCONSOLIDATED BALANCE SHEET OF KINEPOLIS GROUP NV

| IN '000 €                                                    | 2014          | 2015          |
|--------------------------------------------------------------|---------------|---------------|
| Operating income                                             | 75 536        | 85 601        |
| Operating expenses                                           | -35 528       | 35 911        |
| <b>OPERATING PROFIT</b>                                      | <b>40 008</b> | <b>49 690</b> |
| Financial result                                             | 13 558        | -7 244        |
| Extraordinary result                                         | -811          | -269          |
| Current tax expenses                                         | -10 218       | -20 264       |
| <b>GAIN/(LOSS) FROM THE FINANCIAL YEAR FOR APPROPRIATION</b> | <b>42 537</b> | <b>21 913</b> |

## PROFIT APPROPRIATION OF KINEPOLIS GROUP NV

| IN '000 €                                            | 2014   | 2015   |
|------------------------------------------------------|--------|--------|
| Gain/(loss) from the fiscal year for appropriation   | 42 537 | 21 913 |
| Profit carrying forward from previous financial year | 27 753 | 28 529 |
| Transfer from equity:                                | -3 001 | -6 125 |
| - to the legal reserves                              | -3 001 | -6 125 |
| Addition to equity:                                  | 21 660 |        |
| - To other reserves                                  | 21 660 |        |
| Profit to be carried forward                         | 28 529 | 35 083 |
| Dividend                                             | 23 102 | 21 484 |

## MANDATES AND REMUNERATION OF THE STATUTORY AUDITOR OF KINEPOLIS GROUP NV

| IN '000 €                                                                                                                         | 2014       | 2015       |
|-----------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| <b>Remuneration for the statutory auditor for the performance of a mandate as statutory auditor</b>                               | <b>167</b> | <b>167</b> |
| Other audit-related services                                                                                                      | 40         | 6          |
| Tax services                                                                                                                      |            |            |
| Other                                                                                                                             |            | 20         |
| <b>Remuneration for other services or assignments performed within the Company by the statutory auditor</b>                       | <b>40</b>  | <b>26</b>  |
| Other audit-related services                                                                                                      |            |            |
| Tax services                                                                                                                      | 48         | 60         |
| Other                                                                                                                             |            |            |
| <b>Remuneration for other services or assignments performed within the Company by persons associated to the statutory auditor</b> | <b>48</b>  | <b>60</b>  |
| <b>TOTAL</b>                                                                                                                      | <b>255</b> | <b>253</b> |

# Glossary

**Gross profit**

Revenue – Cost of sales

**Operating profit (EBIT)**

Gross profit – marketing and selling expenses -  
administrative expenses + other operating income -  
other operating expenses

**Current operating profit (REBIT)**

Operating profit after eliminating non-current transactions

**EBITDA**

Operating profit + depreciations + amortizations +  
impairments + movements in provisions

**REBITDA**

EBITDA after elimination of non-current transactions

**Effective tax rate**

Income tax expense / profit before tax

**Current profit**

Profit for the period after elimination of non-current  
transactions

**Profit for the period, share of the Group**

Profit attributable to equity holders of the Company

**Basic earnings per share**

Profit for the period, share of the Group /  
(average number of outstanding shares – average number of  
treasury shares)

**Diluted earnings per share**

Profit for the period, share of the Group /  
(average of number of outstanding shares – average number  
of treasury shares + number of possible new shares that must  
be issued under the existing share option plans x dilution  
effect of the share option plans)

**Capital expenditure**

Capitalized investments in intangible assets, property,  
plant and equipment and investment property

**Net financial debt**

Financial debt after deduction of cash and cash equivalents  
and tax shelter investments

**ROCE (Return on capital employed)**

REBIT / (average non-current assets – average deferred tax  
assets + average assets held for sale + average trade  
receivables + average inventory – average trade payables)

**Current Ratio**

Current assets / current liabilities

**Free cash flow**

Cash flow from operating activities – maintenance capital  
expenditures for intangible assets, property, plant and  
equipment and investment property – interest paid

# Financial calendar 2016-2017

|                                                                                                             |                                                                                     |                                                                                                                      |
|-------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| Wednesday<br><b>11</b><br>May 2016<br>PUBLICATION<br>BUSINESS UPDATE<br>Q1 2016                             | Wednesday<br><b>11</b><br>May 2016<br>GENERAL<br>MEETING<br>KINEPOLIS GROUP NV      | Tuesday<br><b>17</b><br>May 2016<br>DIVIDEND<br>PAYMENT                                                              |
| Thursday<br><b>25</b><br>August 2016<br>PUBLICATION H1 2016 RESULT<br>PRESENTATION<br>TO PRESS AND ANALYSTS | Thursday<br><b>17</b><br>November 2016<br>PUBLICATION<br>BUSINESS UPDATE<br>Q3 2016 | Thursday<br><b>16</b><br>February 2017<br>PUBLICATION<br>2016 ANNUAL RESULT<br>PRESENTATION TO<br>PRESS AND ANALYSTS |

These dates are subject to change.

For updates of the financial calendar, please refer to the Kinopolis Investor Relations website at <http://investors.kinopolis.com>

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