



COMPANY REPORT

Who we are.

2019

KINEPOLIS GROUP

PART I

COMPANY REPORT

Who we are.

2019

KINEPOLIS GROUP

This Company Report is part of the Kinepolis Group Annual Report 2019, which consists of three parts:



PART I
COMPANY REPORT



PART II
SUSTAINABILITY REPORT



PART III
FINANCIAL REPORT

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COMPANY REPORT

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Kinepolis Group in 2019



111
CINEMA
COMPLEXES IN

9
COUNTRIES



40.3 MILLION

VISITORS IN 2019
WORLDWIDE

27.3 MILLION
VISITORS IN
EUROPE

13 MILLION
VISITORS
IN NORTH
AMERICA

4 600

EMPLOYEES

+100

NEW JOBS
UPON THE OPENING
OF NEW CINEMAS



+750

NEW COLLEAGUES
THROUGH ACQUISITIONS

*Entrepreneur of
the year 2019*



TURNOVER IN 2019

**€ 551.5
MILLION**

WORD FROM THE CHAIRMAN AND THE CEO

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

Ladies and gentlemen,
Dear shareholder, customer and employee,

The recent developments regarding the worldwide spread of the Corona virus and its major impact on our society and business have created mixed feelings in the preparation of this annual report. A great year in 2019 has already been overshadowed at the start of 2020 by concerns about what has become the biggest challenge of the 21st century so far. It's impossible to predict what 2020 will bring, but, as Kinepolis, we are taking all measures that are necessary to overcome this crisis and we are confident that we will emerge from it stronger as a company.

The situation today makes us look back gratefully and with pride on the past year. Because 2019 was an excellent year for Kinepolis, thanks to the further implementation of our business strategy, both in existing and new markets, the further implementation of our expansion strategy and favourable market conditions in Europe. Above all in the second half of the year, the public found their way to our cinemas en masse thanks to a very successful range of international films, with blockbusters such as 'The Lion King', 'Avengers: Endgame', 'Frozen II', 'Joker' and 'Star Wars: The Rise of Skywalker'.

We received 40.3 million visitors in 2019, an increase of 13.3% compared to the previous year. This led to a revenue increase of 15.9%, to € 551.5 million, and an EBITDA increase – excluding the impact of IFRS 16 – of 23.8%, to € 145.0 million. Net profit increased by 14.7%, to € 54.4 million. Both revenue and EBITDA per visitor – again excluding the impact of IFRS 16 – increased further, thanks to the success of premium cinema experiences and the continued commitment to operational efficiency.

In view of the recent developments regarding the COVID-19 epidemic and its unpredictable impact on the Group's results, however, the Board of Directors will propose to the General Meeting of 13 May 2020 that a dividend should not be paid for the 2019 financial year.

Every year, we systematically look for potential for improvement and new sources of income, whereby the experience of the customer is central, while the well-being of our employees is also monitored. The model that we have developed for this is based on a bottom-up approach, through which we aim to give responsibility for a sub-aspect of the business to as many employees as possible, and to actively involve them in improvement plans and innovation. This approach has provided solid results over thirteen consecutive years, even when market conditions were less favourable. And it is also the basis for the improvement potential that we aim for through acquisitions.

In 2019, we again took important steps in the implementation of our expansion strategy. Strengthened by the successful introduction of our business strategy and some Kinepolis concepts into the Canadian market, we saw an opportunity to expand our activities in North America with the acquisition of MJR Digital Cinemas in the USA. We now have 10 cinema complexes (164 screens) in Michigan and have welcomed many new colleagues.

We also strengthened our position in Europe last year with the acquisition of El Punt in Spain and Arcaplex in the Netherlands, and we opened new cinemas in France (Servon) and Canada (Regina and Calgary Market Mall).

”

The title ‘Entrepreneur of the Year 2019’ is a fantastic recognition for the entire team, and it motivates us to continue working with the same passion and energy every day, serving our customers.



In the meantime, our track record is also being noticed outside our sector. In our home market in Belgium, we became ‘Entrepreneur of the Year 2019’, an award which we received from His Majesty the King of Belgium. The jury unanimously chose Kinepolis as the winner, based on our growth and financial results, entrepreneurship, internationalisation, innovation and corporate governance.

We are continuing to invest in cinema concepts that take the customer experience to a higher level and that will help ensure our continued success in the longer term. In 2019, for example, we focused on the replacement of our 3D equipment, a further roll-out of laser projectors, including Laser ULTRA, the opening of various 4D and ScreenX theatres, and the further roll-out of Cosy Seats in Europe and recliner seats in Canada.

Offering these ‘premium’ experiences goes hand in hand with a further diversification of our content offering. Multicultural films, concerts, opera, art, sports and live events have acquired a permanent place in our product range, in addition to the regular programming. It can be seen as a menu for a night out, a menu in which everyone finds something to his or her taste. To familiarise our customers with the extensive range, we also launched a new marketing initiative, the Kinepolis ‘Discovery Day’, in which, through a free trailer show including animation, we inform our customers about the upcoming film offering twice a year. The first European edition was already a success.

To support our rapid growth, we continue to invest in our systems and human capital. The capacity of our teams is an equally important factor in determining our pace of growth as our financial strength. After all, the ‘ultimate movie experience’ starts and ends with the people who give it substance every day, in front of and behind the scenes. An inspiring working environment, where creativity and innovation is encouraged, remains one of our absolute priorities.

A high-quality film offering and a premium cinema experience, in combination with further expansion and a talented and motivated team: this will continue to be our recipe for success for the coming years. And it’s that strength that will enable us to go back to work with our full force in 2020 once the threat of the COVID-19 virus has passed. After all, the health of our customers and employees remains our top priority.

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

We look forward to soon be able to welcome you back at our theatres, fit and well.

Eddy Duquenne
CEO of Kinepolis Group

Joost Bert
Chairman of the Board of Directors

2019 at a glance

APRIL 2019

Opening of the first Laser ULTRA theatre in Canada (Shawnessy)



JANUARY 2019

Agreement with RealD 3D for 3D equipment



2019

DEC

JAN

FEB

MAR

APR

MAY

JUN

►► THROUGHOUT 2019

Opening of various Laser ULTRA theatres in the Netherlands, Belgium, Luxembourg, France and Canada



►► THROUGHOUT 2019

Opening of various 4D theatres in Belgium, Luxembourg, France and the Netherlands



MARCH 2019

Acquisition of the Spanish cinema group El Punt



JUNE 2019

Inauguration of Kinepolis Rouen (FR) after renovation



MAY 2019

Opening of MarketPlace Whitby (CA)



SEPTEMBER 2019

Opening of Kinepolis Servon (FR)



SEPTEMBER 2019

Opening of the first Kinepolis ScreenX theatre in Madrid (ES)



SEPTEMBER 2019

Reopening of Kinepolis Zoetermeer (NL) after renovation

SEPTEMBER 2019

Introduction of Cosy Seats ('Premiere Seating') in Cranbrook (CA)

NOVEMBER 2019

Acquisition of the Arcaplex cinema in Spijkensisse (NL)



NOVEMBER 2019

Inauguration of Kinepolis Kirchberg (LU) after a thorough renovation



2020

JUL

AUG

SEP

OCT

NOV

DEC

JAN

JULY 2019

Private placement of bonds totalling €225 million

OCTOBER 2019

Launch of Discovery Day in all European Kinepolis cinemas



OCTOBER 2019

Kinepolis proclaimed 'Entrepreneur of the Year 2019' in Belgium



OCTOBER 2019

Opening of the ScreenX and 4D theatres in Kinepolis Utrecht Jaarbeurs

OCTOBER 2019

Opening of the Landmark cinema in Regina (CA)



OCTOBER 2019

Acquisition of MJR Digital Cinemas (USA)



DECEMBER 2019

Opening of a ScreenX theatre in Kinepolis Lomme (FR)



DECEMBER 2019

Opening IMAX Antwerp (BE)



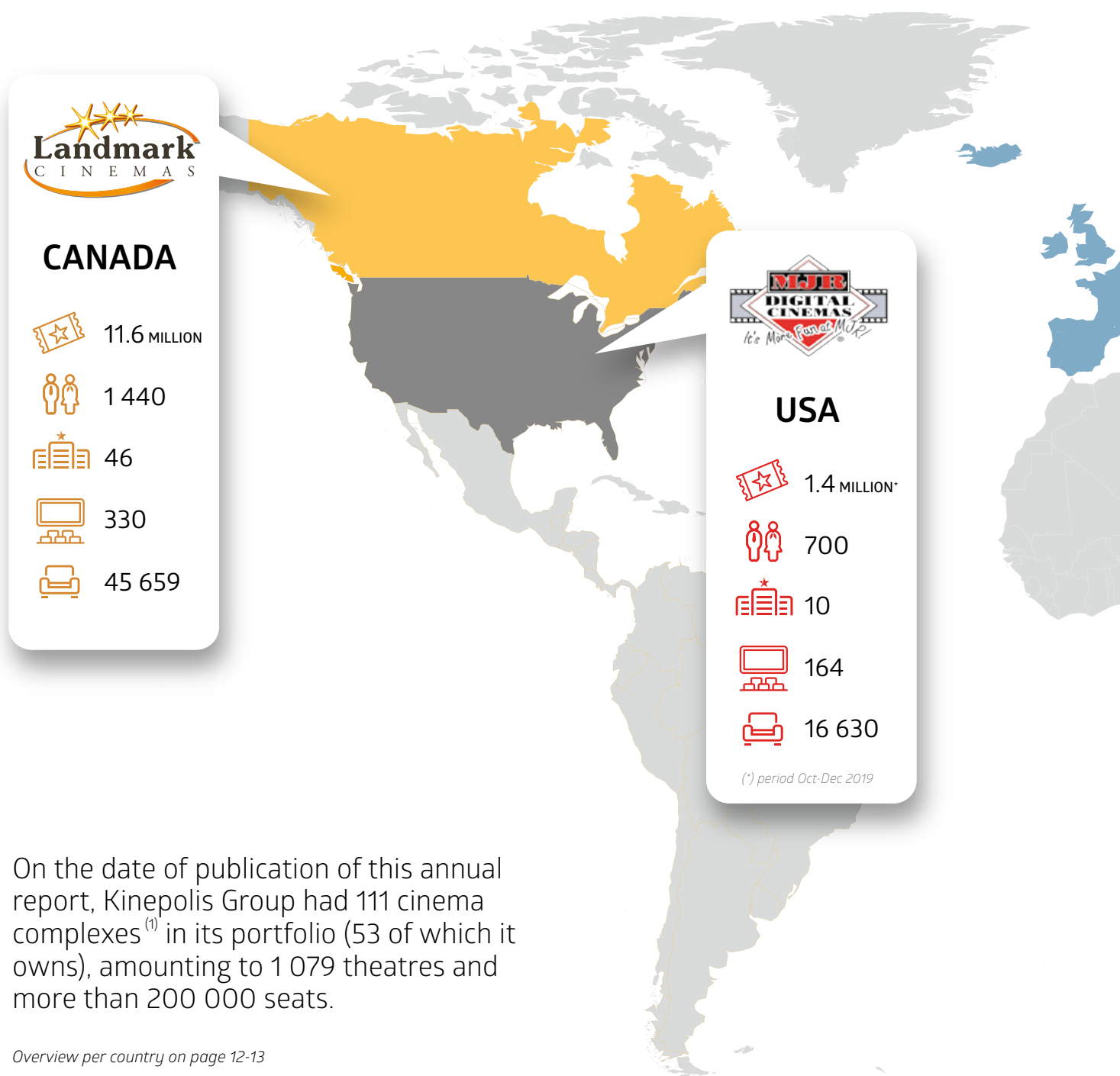
DECEMBER 2019

Opening of MarketPlace Shawnessy (CA)

DECEMBER 2019

Opening of the Landmark cinema in Calgary Market Mall (CA)

Kinepolis worldwide



 **9**
COUNTRIES

 **40.3** MILLION
VISITORS

 **4 600**
EMPLOYEES

(1) Belonging to the real estate portfolio on the date of publication, regardless of whether used for cinema activities or not. Including one complex operated by Cineworld (Poznań, PL), of which the number of theatres and seats is not included in the total numbers.



EUROPE



27.3 MILLION



2 490



55



585



130 821

In Europe, Kinepolis currently has **55 cinemas** spread across Belgium, the Netherlands, France, Spain, Luxembourg, Switzerland and Poland.

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

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



111

COMPLEXES



1 079

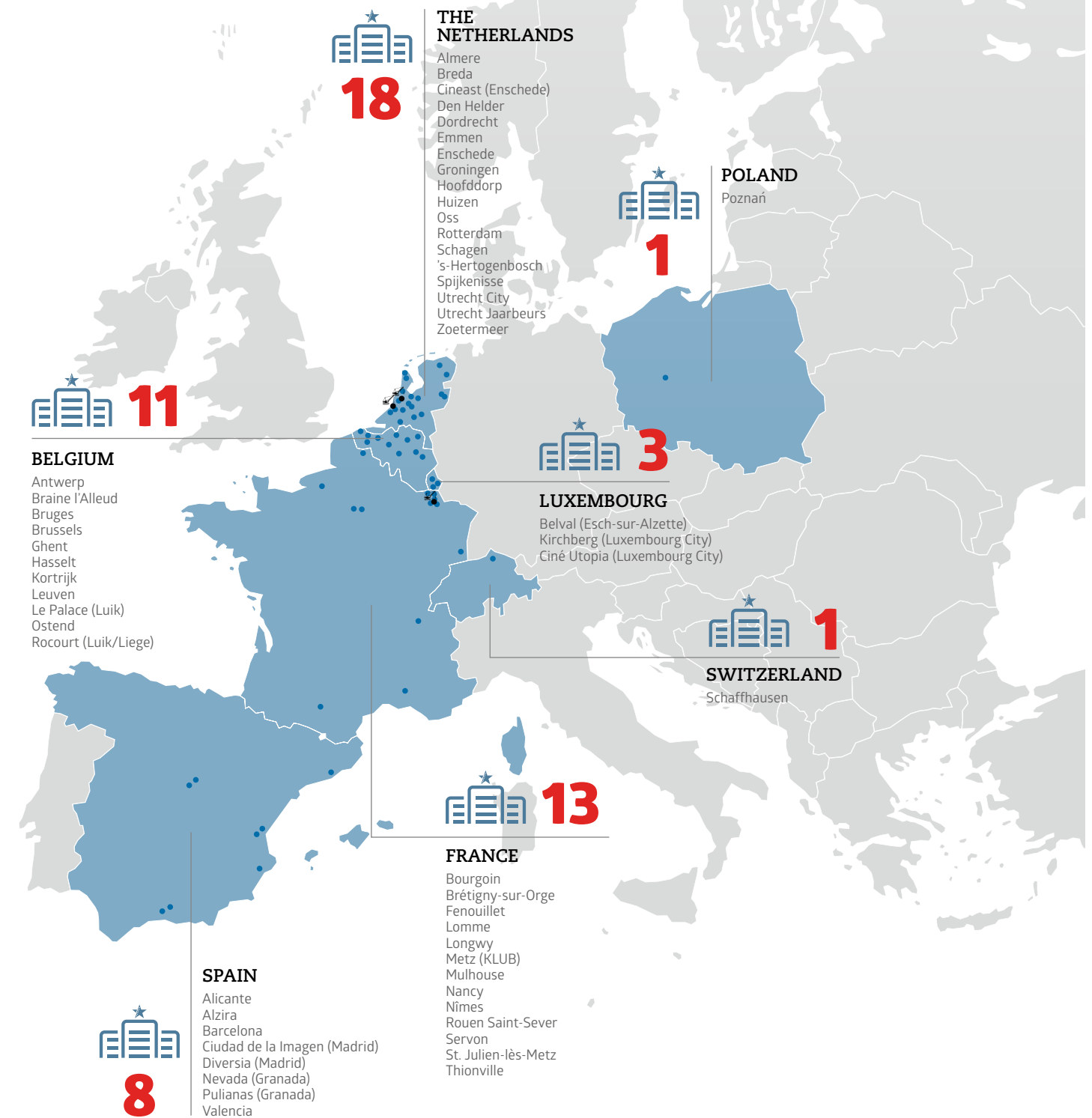
SCREENS



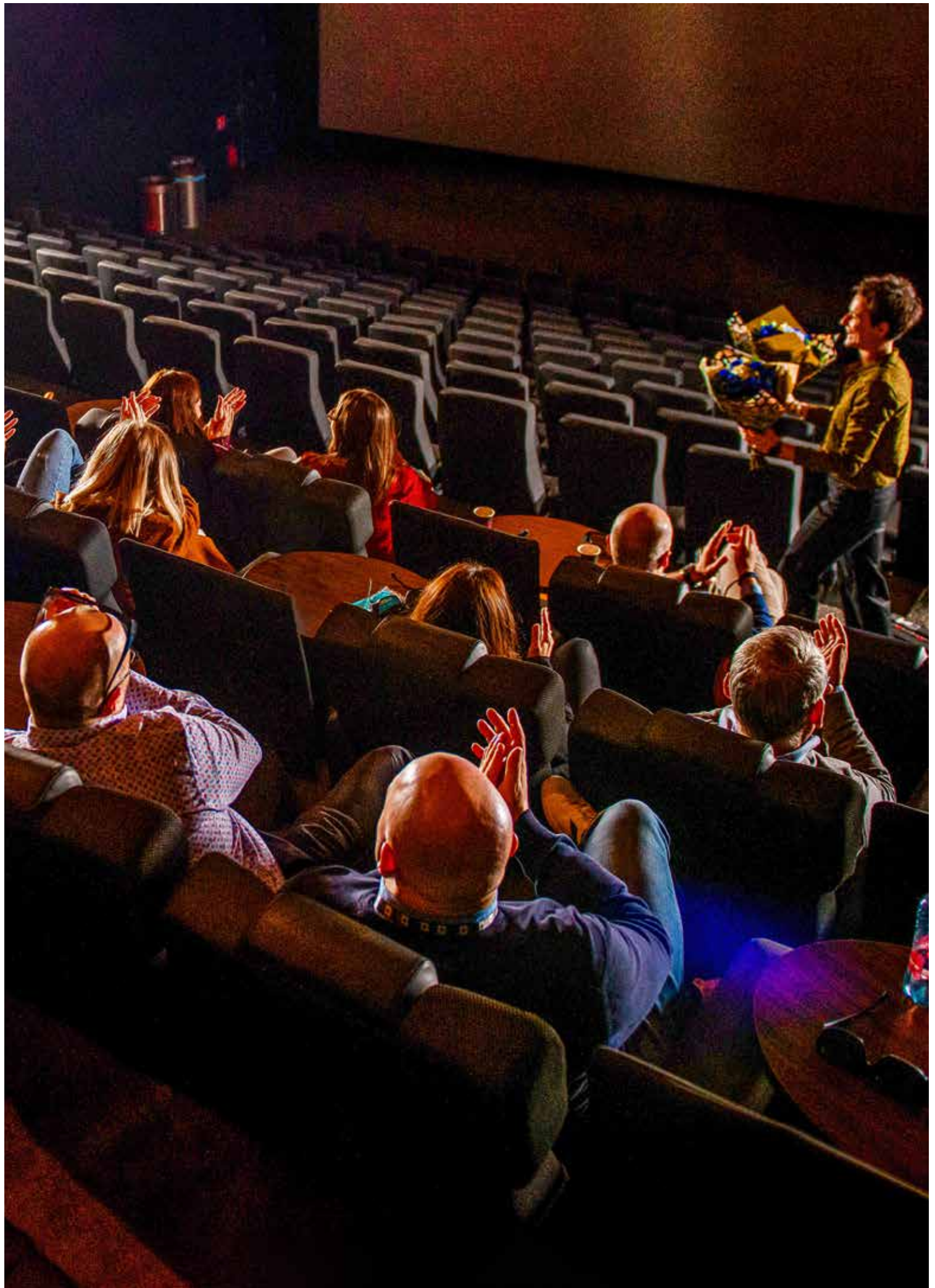
193 110

SEATS

Kinepolis Europe







Our visitors

CINEMA IS FOR EVERYONE

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

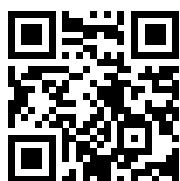
VISITORS TO CORPORATE EVENTS

Many visitors find their way to the cinema through corporate events. 11.0% of our revenue in 2019 was generated by Business-to-business activities. This can be avant-premieres, congresses, private film screenings, company presentations, and so on.



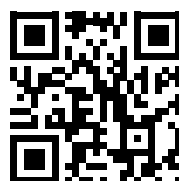
IN 2019, KINEPOLIS GROUP RECEIVED

40.3 MILLION
VISITORS

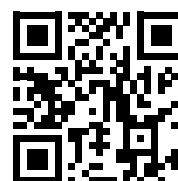


*Aftermovie
B2B-event*

*Some
reactions*



Visitors interviewed after
'The Lion King'



Visitors interviewed
after 'Star Wars'



OUR BRANDS

KINEPOLIS, OUR BRAND IN EUROPE



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

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



Albert Bert



First cinema in Harelbeke



KLUB, THE ART HOUSE CINEMA CONCEPT OF KINEPOLIS

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



Kinepolis's-Hertogenbosch (NL)



Calgary Market Mall (CA)



MJR Digital cinemas Troy (USA)

LANDMARK CINEMAS, OUR BRAND IN CANADA



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

MJR DIGITAL CINEMAS, OUR BRAND IN THE USA



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

INTERVIEW

Bill Walker, Country CEO of Landmark Cinemas Canada

The Canadian Landmark cinemas – Kinopolis activities in Canada – have been led by Bill Walker since the beginning of 2018. He was named one of Canada's 'Top 40 under 40' in 2019. Specially for this annual report, we have asked him to look back on the past two years.

Could you briefly outline the evolution of Landmark to where it is now?

BILL WALKER: The transformation of Landmark began in 2013 with the acquisition of the former Empire Theatre locations. With this takeover, Landmark's field of operation was expanded to beyond Western Canada, and it became the second largest cinema operator in Canada. From 2013 to 2017, Landmark's growth was supported by investments in recliner seats and improvement of the customer experience in the existing theatres. After the acquisition by Kinopolis in 2017, we took a broader approach in order to raise our activities to a higher level. Since then, we have taken over the organisational structure and self-learning corporate culture of Kinopolis, opened four new complexes, completed three MarketPlace shops (following the example of the Kinopolis shop concept) and three Laser Ultra PLF installations, and we are also testing the 'Cosy seating' concept at one location. Our more diversified investment

strategy is well received by our customers, and results in an approach that will improve our financial results continuously.

How did you experience the acquisition by Kinopolis? How do you find the right balance between a global, a national and even a regional or local strategy?

BILL WALKER: We have received constructive support in the implementation and adaptation of the Kinopolis three-pillar strategy in our market. The aim to be the best marketer, the best real estate manager and the best cinema operator must be adapted to local market conditions. Kinopolis gave us the space to tailor our approach to the Canadian market, while remaining loyal to the international strategy, which encourages the sharing of best practices and lessons from around the world. We distinguish different populations within Canada, just as we see differences between Canada and Europe. As a cinema operator, we must ensure that we know the customer group in every area well, and adapt our approach to that customer.

How does the Canadian market differ from other markets, and how is it comparable to the European market?

BILL WALKER: The competitive conditions in Canada are unique: one player has a market share of 75%. This offers Landmark opportunities for new construction projects and renovations in markets where we have a small position and can gain market share and stimulate market growth. Just as in Europe, the markets are different throughout the country, and that is why it's very important that we adjust our programming, prices and experience to each market.



Landmark Regina (CA)



How does Landmark bring added value to the customer and how will it continue to do so in the future?

BILL WALKER: Landmark's biggest point of differentiation in the market has been reserved recliner seating. Thanks to our strategic investments in this experience, we have been able to gain new customers, while our existing customers are visiting more often. This is just one dimension of the customer experience, however. In addition, I am also pleased with the progress we're making in improving our concessions experience (MarketPlace), adding premium formats such as Laser ULTRA, and re-investing capital in upgrading our assets. In the future, even more value will be created by stimulating innovation aimed at a better customer experience, by removing obstacles that prevent an optimal moviegoing experience, and by offering premium experiences in the appropriate markets.

How do you look back on the year 2019 from the perspective of Landmark?

BILL WALKER: In a year in which the North American box office declined, the implementation of Kinopolis' business approach allowed Landmark to protect itself against the cyclical nature of our industry. Thanks to the improved profitability in existing locations and the exceptionally good performance of our new complexes, Landmark was able to increase the box office and EBITDA, even compared to a record year 2018. This is thanks to our exceptional teams at the Cinema Support Centre and in all our cinemas, who understand and believe in our business strategy.

Our team

More than 4 600 employees work hard every day to give millions of cinema visitors an unforgettable movie experience.

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

Employee testimonials



ENTREPRENEURSHIP CENTRAL

Entrepreneurship and empowerment of employees is stimulated and facilitated to the maximum at Kinopolis. We want to give responsibility for departmental targets and budgets to as many people as possible, in order to let them actively contribute to the continuous improvement of Kinopolis' business operations. This bottom-up approach is part of the DNA of Kinopolis. This approach goes hand-in-hand with the creation and stimulation of 'learning networks', in which employees in similar functions, but from different cinemas, discuss with each other in order to gain new insights and to learn from each other. This is what we mean by the 'self-learning' culture of our organisation.

K VALUES

Every individual and every team is expected to ensure that the customer is central, and that they work together in a constructive manner, doing his or her job properly and efficiently, dealing with change in a flexible way and showing a sense of initiative and entrepreneurship.



CLIENT FOCUS



OPERATIONAL EXCELLENCE



FLEXIBILITY





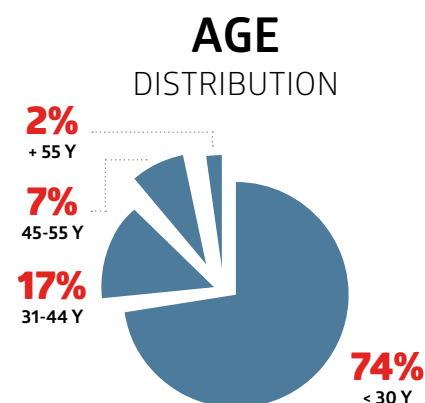
TEAMWORK



HANDS-ON


4 600
EMPLOYEES
WORLDWIDE

M / F
 **48%**
52% 





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

KINEPOLIS ACADEMY



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

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

TALENT FACTORY

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

As a cinema operator, Kinepolis also relies on a large number of temporary employees, including more than 1 000 students a year in Belgium. Kinepolis thereby provides these young people with a first work experience, and helps them to acquire many professional skills, such as working in a team and bearing responsibility.

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



TALENT ON THE MOVE

Erwin Six

After more than 15 years of operational experience in the Belgian Kinepolis cinemas, and three years in a project role at the start-up of Kinepolis Netherlands, Erwin Six moved to Detroit at the end of 2019 to support the upcoming integration of MJR Digital Cinemas. He will assist the MJR management in getting to know and, where appropriate, implementing the working methods and procedures of Kinepolis.

Core activities

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



Kinepolis Nancy (FR)

BOX OFFICE

Box Office activities comprise the sale of cinema tickets. The evolution of these sales is highly dependent on a number of external factors, including the weather and the film range. Kinepolis endeavours to continuously optimise its seating capacity and occupation by providing a varied range of films and cultural events, thereby reaching the widest possible audience. By means of an active programming policy, we aim to have an offer for diverse target groups at all times. The classic film range is thereby also permanently supplemented with alternative content (art, opera, ballet, concerts, etc.) and event formulas (marathons, Ladies at the Movies, horror nights, etc.).



Kinepolis Servon (FR)



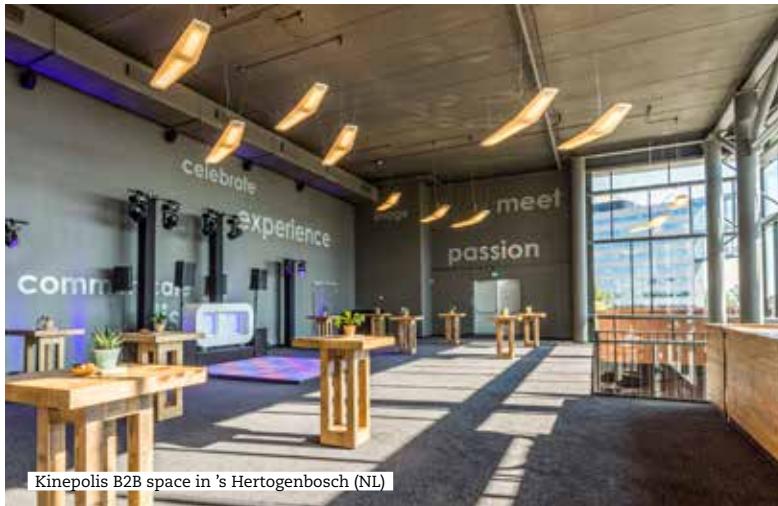
IN-THEATRE SALES

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



ROLL-OUT OF MARKETPLACE IN CANADA

The Kinepolis shop concept was also introduced in Canada from the end of 2018. To date, the Landmark cinemas in Kanata, Whitby and Shawnessy have a so-called 'MarketPlace'.



Kinepolis B2B space in 's Hertogenbosch (NL)



Commercial lease: Pizzahut in Kortrijk (BE)



Kinepolis Nîmes (FR)



Landmark cinemas Regina (CA)

BUSINESS-TO-BUSINESS

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

REAL ESTATE

Kinepolis has a department tasked with the coordination of the management, utilisation and development of the Group's property portfolio. Kinepolis stands out from many other cinema operators thanks to its unique real-estate position. The Group owns a major part of its real estate (53 cinemas, which together generate 55% of the visitors). In the cinemas that Kinepolis owns, more than 90 000 m² are leased to third parties. The flow of customers to these businesses (mainly shops and cafés) is mostly generated by the presence of the cinema.

DIGITAL CINEMA SERVICES

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

FILM DISTRIBUTION IN BELGIUM AND LUXEMBOURG

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

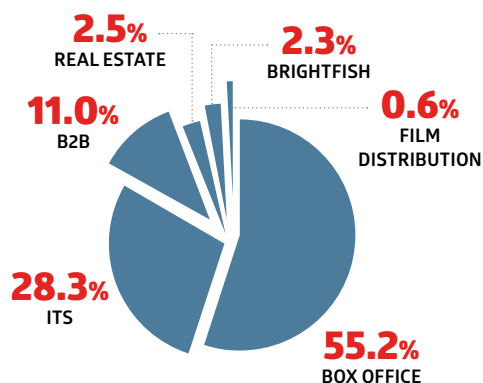


SCREEN ADVERTISING IN BELGIUM



Kinopolis took over the advertising agency Brightfish in 2011. Through this acquisition, Kinopolis ensured that the (Belgian) cinema industry again had a stable partner for screen advertising. Brightfish offers a wide array of media channels in and around cinema for anyone who wishes to communicate with cinema visitors in a targeted way.

TURNOVER PER ACTIVITY IN 2019



Our strategy

THE ULTIMATE MOVIE EXPERIENCE

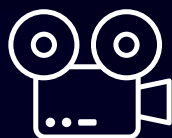
Through its business strategy, Kinepolis aims to create sustainable value for its customers, employees, shareholders, partners and the environment. The three pillars of its strategic model go hand-in-hand with sustainable enterprise.

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



Kinepolis Braine l'Alleud (BE)

The 3 pillars



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



KINEPOLIS WANTS TO BE THE
**Best
marketer**



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





Best cinema operator

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

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



Every year, all cinema teams propose both revenue-generating and efficiency-driven measures to systematically reduce the break-even point (in proportion to a hypothetical 5% fewer visitors per year⁽¹⁾). Together with a uniform company structure, management reporting at detail level and the organisation of contact moments for business and budget owners to inspire each other, this annual exercise has realised a continuous improvement potential in both mature and new cinema complexes since more than 10 years.

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

EMPLOYEES BECOME ENTREPRENEURS

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

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

Entrepreneurship is stimulated to the maximum



Team Kinepolis Breda (NL)

‘MEASURING IS KNOWING’

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

CUSTOMER SATISFACTION INDEX

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

PEOPLE SATISFACTION INDEX

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

INVESTING IN TALENT

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





Best marketer

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

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



RELATIONSHIP MARKETING

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

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

MARKETING AS A SERVICE

In Europe, we can today reach 5.5 million customers via e-mail marketing (versus a customer base that we estimate has more than 7.6 million unique visitors at European level). More than 1.3 million of them have a subscription to the My Kinopolis newsletter. The e-mailings with recommendations for films and events only go to a limited target group, based on the knowledge that Kinopolis has built up about its customers. The average e-mailing in Belgium, for example, is sent to only 7% of the addresses in the database.

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

ACTIVE PROGRAMMING

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

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

Alternative content





With foot rest

EXPERIENCE

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

COSY SEATING

Cosy Seats are even more comfortable seats with extra-wide armrests featuring a handy tray for drinks and snacks and a coat hook. Cinema-goers can opt for Cosy Seats by paying a supplement on top of the regular ticket price. In 2019, Kinopolis equipped more European theatres with Cosy Seats, and introduced the concept in Canada, under the name 'Premiere Seats', with a first installation in the Landmark cinema in Cranbrook.

RECLINER SEATING

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

LASER ULTRA

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

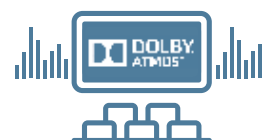


11
FULL-LASER
CINEMAS

(*) numbers at the date of publication



30
LASER
ULTRA SCREENS



51
SCREENS WITH
DOLBY ATMOS

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

4DX AND MX4D

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

SCREENX

ScreenX is the world's first multi-projection technology to offer the visitor a 270-degree viewing experience by extending the scene to the side walls. Kinopolis opened several ScreenX rooms in Europe in late 2019 and early 2020.

IMAX

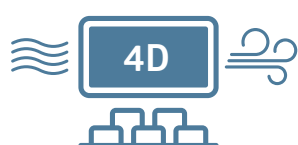
Landmark Cinemas has 5 IMAX screens in Canada. In Kinopolis Brussels – and also in Antwerp from late 2019 – film lovers can enjoy an immersive IMAX experience for the biggest blockbusters. The 'IMAX with Laser' theatres are equipped with a 4K laser projector in combination with an immersive audio experience.

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

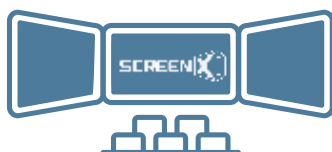


LASER PROJECTION

Laser projectors guarantee a razor-sharp image and consume up to 40% less power compared to traditional xenon lamp projectors. Laser provides more stable light, more light in the corners of the screen and a higher contrast. In June 2018, Kinopolis signed an agreement with Cinionic to equip approximately 300 screens with Barco laser by 2021. At the end of 2019, Kinopolis had more than 221 screens with laser projection. In the newly opened cinemas, all the screens are equipped with laser projectors.



12
4D
SCREENS



5
SCREENX
SCREENS



7
IMAX
SCREENS



Best real estate manager

Kinepolis owns a large part of its cinema real estate, in particular 53 complexes, which generated 55% of the visitors in 2019.

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

CINEMA REAL ESTATE

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



Kinepolis Servon (FR)



53
COMPLEXES IN
OWN HANDS



Indoor playground 'The Magic Forest' in Madrid (ES)



Restaurant in Kinepolis Hoofddorp (NL)



Kinepolis Haarlem,
new construction project for 2020 (NL)

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

In recent years, the Real Estate department has also become closely involved in the realisation of the Group's expansion strategy with regard to the development, realisation and coordination of new construction projects. In the history of our Group, we have never had as many projects under construction as in the past two years. Kinepolis is committed to continue the optimal management, use and development of its unique real estate portfolio in the future.



Leonidas café in Antwerp (BE)



Kinepolis Kirchberg (LU)

International growth

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

Significant steps to implement the Group's expansion strategy have been taken in recent years. The number of cinemas in Kinepolis' portfolio has grown from 23 to 111 over the past five years.

EXPANSION STRATEGY

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

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



Kinepolis Brétigny-sur-Orge (FR)





El Punt cinema 'Full' in Barcelona (ES)



'Full' cinema

28

SCREENS



Arcaplex



9

SCREENS



Kinepolis Spijkenisse (Arcaplex) in Spijkenisse (NL)

EXPANSION IN 2019

ACQUISITION OF THE EL PUNT CINEMA GROUP IN SPAIN

Kinepolis took over two Spanish cinemas, namely the 'Full' cinema in Barcelona and 'El Punt Ribera' cinema in Alzira, near Valencia, on 1 March 2019. Both cinemas have been successfully integrated within the Group.

The cinema in Barcelona has 28 screens with a total of 2 689 seats, and welcomes more than 1.3 million cinema-goers every year. It is the second-largest cinema in Spain after Kinepolis Ciudad de la Imagen in Madrid. The cinema is leased, and is situated in the 'Splau' commercial centre in Cornellà de Llobregat, 14 km south of Barcelona. All the screens are equipped with 4K projectors and 19 screens are fitted with Dolby Atmos sound.

The cinema in Alzira, the real estate of which is owned, has 10 screens and 2 528 seats, and attracts around 300 000 visitors a year.

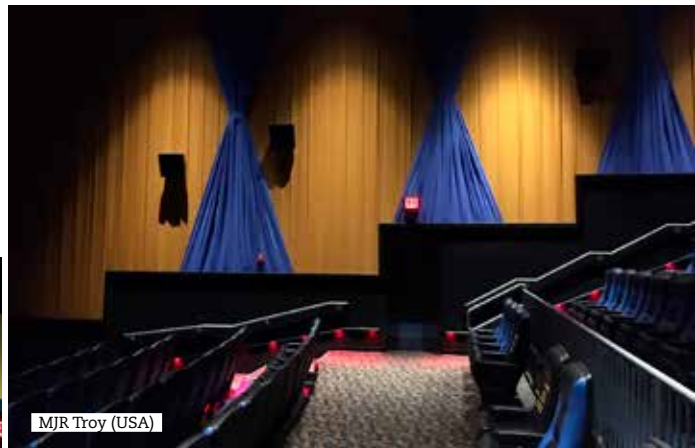
ACQUISITION OF ARCAPLEX IN THE NETHERLANDS

Kinepolis took over both the real estate and the operation of the Arcaplex cinema located in Spijkenisse, the Netherlands, in November 2019. The cinema, which was previously owned and operated by the Rump brothers, has 9 screens and 951 seats, and welcomed more than 200 000 visitors in 2018.

The cinema was thoroughly renovated and expanded in the spring of 2018. Three new theatres were opened in the process, provided with every seating comfort and equipped with laser projection for a razor-sharp image.



164
SCREENS



ACQUISITION OF MJR DIGITAL CINEMAS IN THE UNITED STATES



Kinepolis completed the acquisition of American MJR Digital Cinemas in mid-October 2019. MJR Digital Cinemas, with head office in Bloomfield Hills, Michigan, has 10 cinema complexes with a total of 164 screens and more than 16 000 seats, all located in Michigan. All the cinemas involved are multi- and megaplexes with capacities ranging from 10 to 20 screens. The 10 cinemas realised a turnover of 81.2 US Dollar in 2018, with 6.2 million visitors.

Seven of these cinemas are owned (114 screens) – three of which are on a leasehold site – and the remaining three are rented complexes (50 screens). The Group has three megaplexes with 20 screens each, five cinemas with 16 screens, one with 14 screens and one with 10 screens. All the screens are equipped with 5.1 digital surround sound, and two complexes have an 'EPIC experience' auditorium, where 4K projection is combined with Dolby Atmos sound. In addition, almost all the cinemas are equipped with the recliner seating concept, the motorised, fully reclining seats with foot rest, which are also very successful in Canada.

Eddy Duquenne, CEO Kinepolis Group: "I am very proud to have the opportunity to extend our investment in Canada to the USA. The successful acquisition of the Canadian Landmark Cinemas has demonstrated that we can successfully implement our business strategy in a different continent and a different time zone. The acquisition of MJR fits perfectly with what we are pursuing in terms of expansion: geographically it fits with Canada, it only concerns multi- and megaplexes, and we are acquiring an important real estate position."

Kinepolis will continue to operate MJR under the existing brand name. The cinema group, which has approximately 700 employees, will continue to be managed by the current management, which will be supported in terms of integration by the European Kinepolis team, as well as the Canadian Landmark team.

”

I am delighted my outstanding supporting cast will continue as part of the larger Kinopolis team to serve our customers with the same high standards my team established and maintained since MJR’s founding in 1980. I am confident such a high quality operator that shares our values, will steward MJR into the future.

Mike Mihalich, founder and former CEO
of MJR Digital Cinemas





Kinepolis Servon, located in the Île-de-France region, opened its doors to the public in September 2019.

OPENING OF NEW CINEMAS

Three new cinemas were opened in 2019, namely Kinopolis Servon in France (9 screens, 1 208 seats) and two new Landmark cinemas in Canada (Regina and Calgary Market Mall), with 8 and 5 screens respectively, and fully equipped with the recliner seating concept.

RENOVATION OF PREVIOUSLY ACQUIRED CINEMAS

Also in 2019, cinemas that had been acquired earlier were renovated and transformed into Kinopolis

cinemas. This was the case for Kinopolis Rouen, a cinema in the Rouen Saint-Sever commercial centre that was acquired in 2016, as well as for Kinopolis Zoetermeer, a former Utopolis complex in the Netherlands. Kinopolis Kirchberg In Luxembourg was ceremonially inaugurated after the completion of a long and thorough renovation. With, among other things, a renovated shop and new B2B space, a 4DX and Laser ULTRA screen and a renovated exterior façade, Kinopolis Kirchberg has become one of the flagship cinemas of the Group.

Kinopolis continues to invest in expansion, evaluating various projects in different countries, for both potential acquisitions and new-build cinemas.



Kinopolis Servon (FR)



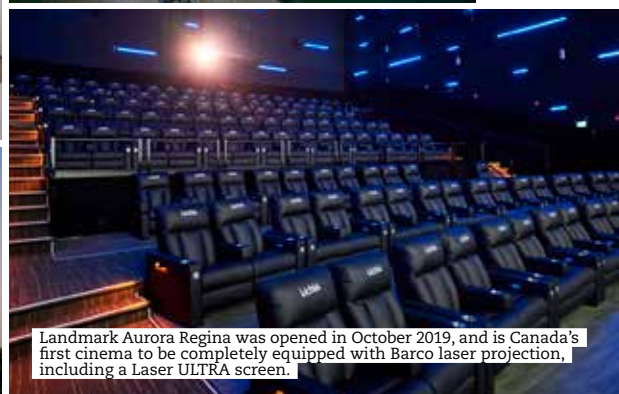
Kinopolis Rouen (FR)



Inauguration of Kinopolis Kirchberg (LU)



The Landmark cinema in Calgary Market Mall opened its doors at the end of December 2019.



Landmark Aurora Regina was opened in October 2019, and is Canada's first cinema to be completely equipped with Barco laser projection, including a Laser ULTRA screen.

Worldwide recognition

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



2014

GLOBAL ACHIEVEMENT IN EXHIBITION



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

2017

INTERNATIONAL EXHIBITOR OF THE YEAR



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

2019

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



BRUSSELS – On 8 October 2019, Kinopolis proudly received the 'Entrepreneur of the Year 2019' award for Flanders from His Majesty the King of Belgium. The 25th edition of this prestigious event, organised by EY in collaboration with newspaper De Tijd and BNP Paribas Fortis, took place in Auditorium 2000 at the Heysel in Brussels, and was given an extra festive touch to celebrate this anniversary edition. EY launched the *Entrepreneur of the Year*[®] award in 1995, with the ambition of putting the best achievements of Belgian companies in the limelight.

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

Jury president Michèle Sioen: "In addition to the impressive expansion strategy, which recently peaked with the expansion to the United States, Kinopolis stands out in particular by empowering its employees and creating additional added value for the customer experience. All this is done with an eye for the environment, for example by introducing energy-saving techniques, carrying out sustainable renovations and installing the latest cinema technologies. Kinopolis is therefore the very deserving winner of the 25th edition of *Entrepreneur of the Year*[®]."



This is a fantastic recognition for our almost 5 000 employees. Everyday I see proud people who are passionate about their jobs and who always go the extra mile. We deeply appreciate this recognition, which will certainly motivate us to keep pushing our boundaries, to stay true to our business strategy and to innovate in order to offer our customers the ultimate movie experience time and time again.

Eddy Duquenne, CEO Kinopolis Group



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This report is available in English, Dutch and French.



2019

KINEPOLIS GROUP COMPANY REPORT



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