



2016

Annual report

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Kinepolis Jaarbeurs (NL)



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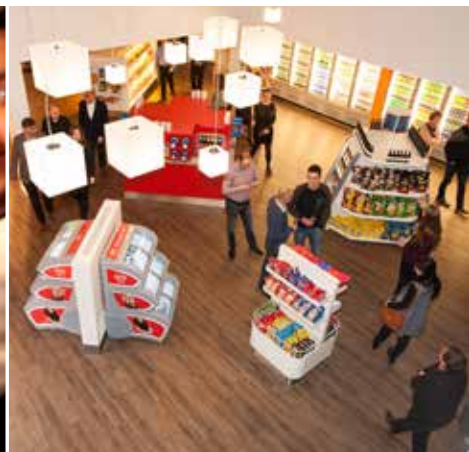
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01 Key figures and ratios

KEY FIGURES

NUMBER OF COMPLEXES ⁽¹⁾	BELGIUM	FRANCE	SPAIN	NETHERLANDS	LUXEMBOURG	OTHER (POLAND & SWITZERLAND)	TOTAL
2016	12	11	6	15	3	2	49

VISITORS (MILLIONS) ⁽²⁾	BELGIUM	FRANCE	SPAIN	NETHERLANDS	LUXEMBOURG	SWITZERLAND	TOTAL
2015	9.2	6.4	4.4	1.7	0.3	0.1	22.1
2016	8.4	7.0	4.4	2.8	1.1	0.1	23.8
2016 vs. 2015	-8.2%	9.3%	1.0%	56.9%	309.3%	-10.0%	7.5%

CONSOLIDATED INCOME STATEMENT (IN € '000)	2012	2013	2014	2015	2016
Revenue	254 505	245 980	262 619	301 571	324 938
EBITDA	72 252	75 006	71 303	88 739	91 650
REBITDA	74 001	74 634	74 264	90 958	94 574
Gross profit	82 221	82 111	81 843	99 578	100 209
Operating profit	51 673	55 069	50 665	65 245	63 207
Net finance expense	-5 859	-5 998	-4 295	-7 754	-7 619
Profit before tax	45 814	49 071	46 370	57 491	55 588
Profit	35 704	37 541	35 167	32 255	47 646
Current profit	37 405	37 395	35 589	43 207	40 413

ANNUAL GROWTH RATES	2012	2013	2014	2015	2016
Revenue	0.3%	-3.3%	6.8%	14.8%	7.7%
EBITDA	-3.1%	3.8%	-4.9%	24.5%	3.3%
REBITDA	3.2%	0.9%	-0.5%	22.5%	4.0%
Gross profit	3.2%	-0.1%	-0.3%	21.7%	0.6%
Operating profit	-3.1%	6.6%	-8.0%	28.8%	-3.1%
Profit	-2.1%	5.1%	-6.3%	-8.3%	47.7%
Current profit	6.3%	0.0%	-4.8%	21.4%	-6.5%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IN '000 €)	2012	2013	2014	2015	2016
Non-current assets	261 868	255 239	302 068	392 075	424 122
Current assets	65 703	55 072	44 996	98 624	79 324
TOTAL ASSETS	327 571	310 311	347 064	490 699	503 446
Equity	108 668	104 657	104 732	123 033	149 898
Provisions and deferred tax liabilities	21 466	20 525	18 352	27 029	25 531
Non-current loans and borrowings	81 709	87 917	91 471	214 000	207 278
Current loans and borrowings and bank overdrafts	37 731	19 332	44 095	8 714	6 996
Trade and other payables	72 949	70 487	79 651	97 090	100 160
Other	5 048	7 393	8 763	20 833	13 582
TOTAL EQUITY AND LIABILITIES	327 571	310 311	347 064	490 699	503 446

(1) Including Cinema City Poznań (Poland), operated by Cineworld and UGC Toison d'Or (Belgium) operated by UGC.

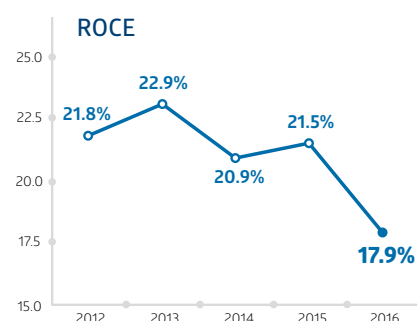
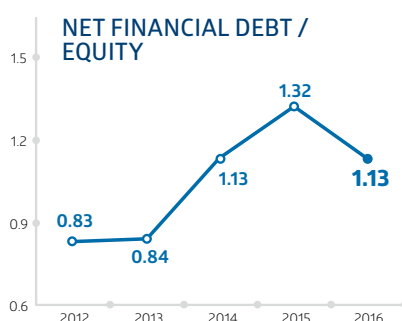
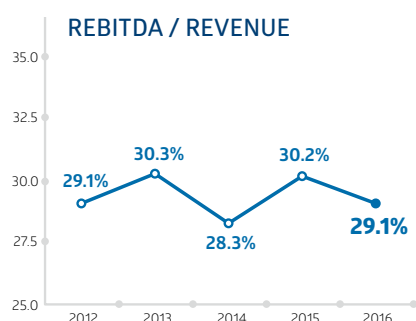
(2) Excluding Cinema City Poznań (Poland) and UGC Toison d'Or (Belgium).

DATA PER SHARE ⁽³⁾	2012	2013	2014	2015	2016
Revenue	8.77	9.06	9.99	11.26	11.94
EBITDA	2.49	2.76	2.71	3.31	3.37
REBITDA	2.55	2.75	2.82	3.40	3.48
Profit	1.23	1.38	1.34	1.20	1.75
Current profit	1.29	1.38	1.35	1.61	1.48
Equity share of the Group	3.75	3.85	3.89	4.59	5.51
Gross dividend ^{(4) (5)}	0.47	0.64	0.65	0.79	0.87
Pay-out ratio	35%	45%	50%	50%	50%

RATIOS

PROFITABILITY RATIOS	2012	2013	2014	2015	2016
EBITDA / Revenue	28.4%	30.5%	27.2%	29.4%	28.2%
REBITDA / Revenue	29.1%	30.3%	28.3%	30.2%	29.1%
Gross profit / Revenue	32.3%	33.4%	31.2%	33.0%	30.8%
Operating profit / Revenue	20.3%	22.4%	19.3%	21.6%	19.5%
Profit / Revenue	14.0%	15.3%	13.4%	10.7%	14.7%

FINANCIAL STRUCTURE RATIOS	2012	2013	2014	2015	2016
Net financial debt	90 200	88 141	118 645	162 008	169 751
Net financial debt / EBITDA	1.25	1.18	1.66	1.83	1.85
Net financial debt / REBITDA	1.22	1.18	1.60	1.78	1.79
Net financial debt / Equity	0.83	0.84	1.13	1.32	1.13
Equity / Total equity and liabilities	33.2%	33.7%	30.2%	25.1%	29.8%
Current Ratio	0.61	0.62	0.36	0.85	0.71
ROCE	21.8%	22.9%	20.9%	21.5%	17.9%



(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) Calculation based on the number of dividend eligible shares. For the period 2011 up to and including 2013 divided by 5, bearing in mind the splitting of each share in five shares on 1 July 2014 for the sake of comparison.

(5) An additional exceptional dividend of € 0.20 per share was paid out for the fiscal year 2014

02 Annual summary



Kinepolis Breda (NL)



Word from the Chairman and CEOs

Ladies and Gentlemen,

Dear shareholder, customer and employee,

2016 was an exceptional year of expansion for Kinepolis, with the opening of five new build complexes in the Netherlands, Spain and France, and the successful integration of acquired complexes. In spite of the less strong film offer, the European football championships and fewer holidays in 2016, the Group posted solid results with a rise in REBITDA per visitor in virtually all countries.

The number of visitors rose from 7.5% to 23.8 million, primarily due to acquisitions in 2015 that were included in the figures for the whole year for the first time, the acquisition of a cinema in Rouen (France) in January 2016 and newly opened cinema complexes in the Netherlands (Dordrecht, Breda, Utrecht), Spain (Granada) and France (Fenouillet). The film offer in 2016 was unable to match an exceptional 2015, which included 'Minions', 'Jurassic World' and 'Star Wars: The Force Awakens', and local content also disappointed in most countries.

Total revenue rose by 7.7% to € 324.9 million, outpacing the rise in visitor numbers, due to an increase in revenue in all business lines except Brightfish. Sales per visitor increased again in virtually all countries, in spite of a negative impact due to the changed country mix, with a lower share for Belgium.

Current EBITDA rose less strongly, by 4.0% to € 94.6 million, primarily due to the changed country mix, the ongoing process of integrating acquired cinemas and the acquisition of Utopolis with partly leased complexes. On the other hand, REBITDA per visitor increased in all countries except France.

Current profit in the year under review was € 40.4 million, a fall of 6.5% compared with 2015, due to higher depreciations as a consequence of the expansion and a higher effective tax rate. However, total profit increased by 47.7% to € 47.6 million, due to the one-off provision in 2015 in response to the decision of the European Commission on the Belgian Excess Profit Ruling (EPR) and the revenue from the sale of Utopolis Belgium in 2016.

The Board of Directors will propose to the General Meeting of Wednesday 10 May 2017 a pay-out ratio of 50% of net profit. With due consideration for the number of shares entitled to dividend on 17 February 2017, this means a gross dividend per share of € 0.87. This is a rise of 10.1% compared with 2015.

Expansion remains high on the agenda. We now have 49 complexes and construction recently began for a new cinema complex in 's-Hertogenbosch (the Netherlands), which will open in 2018.

We will also open the first Kinopolis complex in the Île-de-France region in 2018, at Brétigny-sur-Orge (France), 35 kilometers south of Paris.

We have been working on our three strategic pillars for almost ten years and they continue to pay off. We continue to invest in innovation and a peerless customer experience. The Cosy Seats were installed in even more cinemas in 2016, virtually all new build cinemas were exclusively equipped with laser projectors and the implementation of our new cinema ERP system (the software used for customer interactions) is being finalized. We also continue to invest in digital marketing. The new Kinopolis app for Android and iOS users, for example, enables us to deepen the interaction with our visitors and provide a personalized offer.

Kinopolis launched the Innovation Lab in early 2016 to encourage even more innovation and entrepreneurship across departments within the organization. In the first year more than 300 ideas were submitted by all parts of the organization from various countries. The first finalized project coming from the Innovation Lab is the Sushicque concept, a sushi bar operated in-house, while numerous other projects are currently being fleshed out.



Artist impression of Kinopolis 's-Hertogenbosch (NL) and Brétigny-sur-Orge (FR)



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

Lastly, in 2017 we will continue to invest in attracting, developing and retaining talented people. Our human capital is the key to the success of Kinopolis and the engine of expansion for the Group. Investing in people remains one of our absolute priorities.

The 2017 line-up looks very promising, including 'Fifty Shades Darker', 'Kong: Skull Island', 'The Fate of the Furious', 'Cars 3' and 'Dunkirk'. For the coming year our recipe for success remains a high-quality film program, together

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

Kinopolis 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 Kinopolis Group

Joost Bert
CEO Kinopolis 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.

On the date of publication of this annual report Kinepolis has 49 cinema complexes throughout Belgium, the Netherlands, France, Spain, 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.

number of visitors
in 2016



23.8 mio

+7.5%

complexes



49⁽²⁾

theatres



528

seats



123 675

number of visitors
in 2015



22.1 mio

complexes



46⁽²⁾

theatres



491

seats



117 813

2016



1.1 mio

+309.3%



3



22



4 843



8.4 mio

-8.2%



12⁽³⁾



149



36 280



7.0 mio

+9.3%



11



128



31 948



4.4 mio

+1.0%



6



99



28 693



2.8 mio

+56.9%



15



104



20 356



0.1 mio

-10.0%



1



8



1 555



1⁽⁴⁾



18

2015

0.3 mio

3

22

4 927

9.2 mio

12

148

36 697

6.4 mio

10

120

30 561

4.4 mio

5

91

27 765

1.7 mio

14

84

16 308

0.1 mio

1

8

1 555

1

18

(1) On the date of publication belonging to the real estate portfolio, regardless of whether they are used for cinema operations.

(2) Including one complex operated by UGC (Toison d'Or, BE) and one operated by Cineworld (Poznan, PL). Number of seats not included in the total.

(3) Including one complex operated by UGC. Number of seats not included here.

(4) Cinema operated by Cineworld. Number of seats not included here.

Kinepolis in Europe ⁽¹⁾



Grand Duchy of Luxembourg

Esch-sur-Alzette
Luxembourg City x2

Belgium

Antwerp
Bruges
Brussels x2
Ghent
Hasselt
Braine l'Alleud
Kortrijk
Louvain
Liège x2
Ostend

France

Lomme
Longwy
Bourgoin
Fenouillet
Mulhouse
Nancy
Nîmes x2
Rouen Saint-Sever
St-Julien-lès-Metz
Thionville

Spain

Alicante
Madrid x2
Granada x2
Valencia

The Netherlands

Almere
Breda
Den Helder
Dordrecht
Emmen
Enschede x2
Groningen
Huizen
Nieuwegein
Oss
Rotterdam
Utrecht x2
Zoetermeer

Switzerland

Schaffhausen

Poland

Poznań



Organization and strategy

Our mission and strategy

Kinepolis wants to offer film and culture lovers a unique experience and pursues 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 entertainment 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 REAL ESTATE MANAGER

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





State-of-the-art cinema infrastructure



Attractive coffee corner



Successful event formulas, such as 'Ladies at the Movies'

The ultimate
movie
experience



2014 Global
Achievement in
Exhibition Award

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.



Kinepolis Breda (NL)

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 reservation, the latest projection and sound technologies, mobile ticketing, trend-setting events and refreshing marketing approaches.

In addition to innovations to enhance the film 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 and Sushicque).

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

As regards content, a permanent offering of eye-catching events and alternative content, such as concerts, art, opera and ballet, complements the regular movie program.



NEW VISTA ERP SYSTEM

In 2016 Kinepolis continued to roll out its new cinema ERP system, known as Vista, in virtually all of its complexes. Vista is the software package behind all important corporate processes, from film descriptions to popcorn sales. The new system offers uniformity and enables the central management of data, which is important in the light of the current and future growth of the Group. Vista will be operational in all Kinepolis complexes from April 2017.

NEW MOBILE APPS

The new Kinepolis apps for Android and iOS users were released at the end of January 2017. The apps have a revamped user-friendly design, ensuring a more personalized experience. For the first time, tickets are now delivered directly in the app, through the user's 'My Kinepolis' account. Select the film and the cinema, pay and receive the ticket: that is now all possible with a few taps in the Kinepolis app.



Premiere of 'De Premier' at Kinepolis Antwerp (BE)



Self-service shop with wide range

RELATIONSHIP MARKETING

As a film expert, Kinepolis is committed to providing the best possible response to the preferences of its visitors. Kinepolis wants to offer 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. Millions of customers receive film and event recommendations by email based on their personal preferences.

In the future Kinepolis is committed to further invest 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 active programming. In doing so, Kinepolis selects films based on the preferences of its customers, which means they can differ according to the cinema. Kinepolis' goal is to offer something to each of its target groups at all times during the year.



COSY SEATING

The Cosy Seating concept has been well received by customers and in 2016 Kinepolis installed them in even more cinemas in Belgium (Rocourt, Bruges, Brussels, Braine-l'Alleud), France (Lomme, Thionville, Metz, Nancy, Nîmes) and the Netherlands (Breda). These seats offer even greater comfort and convenience, with extra wide armrests, a handy table for drinks and snacks and a coat hanger. Visitors can choose Cosy Seats for a supplement on the normal ticket price.



LASER ULTRA

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



OPERA & ART IN THE CINEMA

In recent years Kinepolis has developed an impressive alternative program of opera, ballet, theatre and art exhibitions. There are regular screenings in Belgium, France, Spain, Switzerland, the Netherlands and Luxembourg, in association with partners such as the MET, the Royal Opera House and the Bolshoi. Opera is now firmly established, attracting more than 30 000 visitors per year at the Belgian Kinepolis cinemas alone.

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 consists of seven core businesses: Box Office, In-Theatre Sales, Business-to-Business, screen advertising (Brightfish), film distribution (KFD), Real Estate and Digital Cinema Services.

CORE BUSINESSES

BOX OFFICE

Box office comprises the sale of cinema tickets. Performance here is highly dependent on a number of external factors, including film content, weather and holiday periods. Kinopolis reaches a wide range of movie lovers and culture vultures by constantly optimizing cinema 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 regular film offering is permanently complemented with events (such as 'Ladies at the Movies' and 'Horror Nights' or 'Obscure Nights') 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. Virtually all Kinopolis complexes now have a self-service shop, which is a decisive factor in the increasing success of ITS. The shop's offering is complemented with specific local initiatives.



Kinopolis Ghent as loyal partner of Film Fest Ghent (BE).



Kinepolis offers a varied film and cultural program as well as event formulas like 'Obscure Night'.

For example, the coffee corner has been given a prominent place in the French Kinepolis cinemas and Kinepolis Antwerp has a Leonidas Chocolates Café. The Leonidas Chocolates Café serves up famous Belgian chocolates, as well as hot and cold beverages. Sushicque, an in-house sushi-bar, was opened in Alicante (Spain) in 2016. A second Sushicque will open at Kinepolis Madrid (Ciudad de la Imagen) in 2017.

In line with the large selection of movies, a varied range of refreshments is offered to meet the tastes of various target groups. Kinepolis targets a unique experience, which also covers the time before and after the movie.

BUSINESS-TO-BUSINESS

The business-to-business (B2B) activity is built upon a privileged relationship with the business community and an innovative range. Since the digitization, Kinepolis cinemas, with their advanced, flexible infrastructure, 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 cinemas 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 complexes present themselves as the ideal B2B location.



Leonidas Chocolates Café at Kinepolis Antwerp (BE).



Kinopolis Jaarbeurs (Utrecht, NL) opening



Safety First premiere, Kinopolis Belgium

FILM DISTRIBUTION

Kinopolis Film Distribution (KFD) focuses on distributing international and domestic movies in Belgium and Luxembourg. As a specialist in Flemish movies 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. It also ensured that the Belgian cinema industry once again had a stable partner for screen advertising. Brightfish offers a wide array of media channels in and around the cinema for everyone who wishes to communicate with cinema visitors in a targeted way.



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

REAL ESTATE

Real Estate is a separate business unit within Kinepolis tasked with coordinating the management, utilization and development of the Group's property portfolio. Kinepolis owns the vast majority of its real estate, a situation that sets the group apart from many other cinema operators. In early 2017 Kinepolis had a portfolio of 49 complexes, comprising 528 screens and around 124 000 seats.

More than 70 000m² is let to third parties. Footfall at these businesses (mainly shops and cafes) is mostly generated by the presence of the Kinepolis complex.

DIGITAL CINEMA SERVICES

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



Brasserie Fifth Avenue at Kinepolis Breda (NL)



The Magic Forest, Madrid (ES)



Kinepolis Jaarbeurs (Utrecht, NL)



Kinepolis Fenouillet (FR)

Our people

More than 2300 employees work hard every day to give millions of cinema visitors an unforgettable film 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.

TALENT FACTORY

Kinopolis has launched a Talent Factory to identify and evaluate talents in the company with an eye to development and promotion possibilities. Investments are also made in attracting talented individuals elsewhere who can help to further shape and professionalize the growing organization.

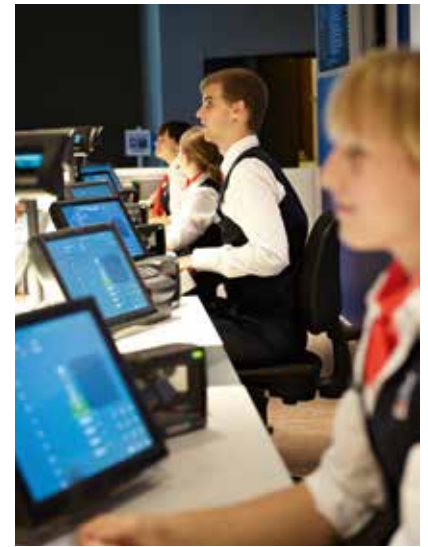
Training for every employee is another important aspect of the Human Capital philosophy. Kinopolis Academy helps employees improve their personal skills through e-learning among other things. There are also personal coaching courses for managers through the Kinopolis University.



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



Client Focus



Teamwork



Plus est en Nous

INNOVATION LAB

The world is evolving all the time, as is the behavior of current and potential Kinopolis visitors, the relevant market and the possibilities of responding to this. The Kinopolis 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 Kinopolis 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 Kinopolis – from student to manager – to think outside the box and dare to be 'entrepreneurial'. As well as a self-learning organization, Kinopolis also wants to be a self-innovating organization. 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 departments. The best idea to come from the Kinopolis Innovation Lab is rewarded with an annual Innovation Award. Employees whose ideas are selected are also rewarded with an 'entrepreneur bonus' – regardless of the subsequent performance of the idea in practice.



SUSHICQUE

Sushicque opened at Kinopolis Alicante (Spain) on 3 October 2016. Sushicque is a sushi bar concept developed and managed in-house by Kinopolis. The concept will be rolled out to Madrid in 2017. Sushicque is the first finalized project generated by the **Kinopolis Innovation Lab**, in which employees are challenged to submit and flesh out innovative ideas.



**PARTICIPATE IN
DEVELOPING YOUR
KINEPOLIS!**
innovationlab@kinopolis.com



Artist impression of Kinopolis 's-Hertogenbosch (NL)

Green Star, our sustainability project

Within a broad social context, Kinopolis prioritizes the potential ecological, cultural or social consequences of its operations. Kinopolis is conscious of its social role and possible impact on all interest groups. The Kinopolis 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

As well as 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. Kinopolis 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 policy was the digitization of the projection systems, which made the chemical production of film and the transport of voluminous rolls of film superfluous. Virtually all new build Kinopolis complexes in 2016 were exclusively equipped with laser projectors. Laser projectors ensure sublime image quality while also using 40% less energy than xenon lamp projectors. The absence of lamps also reduces the need for cooling and, of course, lamp replacement belongs to the past.



Laser projectors use 40% less energy than xenon lamp projectors.



Energy-saving steps are taken when renovating existing complexes.

The increasing importance of online and mobile ticket sales also reduces the ecological impact of operations. Further, various energy-saving measures have been taken, including the installation of LED lighting in cinemas 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.

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



GPR certification for Kinopolis Dordrecht

Kinopolis works towards GPR certification for all new build complexes in the Netherlands. GPR provides insight into the sustainability of real estate based on five criteria: Energy, Environment, Health, Quality of Use and Future Value. Each aspect is graded from 1 to 10 and the CO₂ emission is measured. Kinopolis Dordrecht earned an excellent report across the board and already has its GPR certificate.



Innovative LED car park lighting in Breda

The Kinopolis Breda car park is exclusively lit by innovative LED lighting, which use 40% less energy than regular LEDs. The lighting also has a cradle-to-cradle certificate. Uniquely, because the BB LED lightpipe is the first LED product worldwide to earn this certificate. The suitability of this lighting solution for the car park at Kinopolis Antwerp is currently being evaluated.



Application of energy-saving techniques

Ipee technology has been installed in the toilets at Kinopolis Jaarbeurs in Utrecht. These are smart sensors that optimize flushing after every use to ensure maximum hygiene without wasting water. In addition, the air conditioning system at Kinopolis Dordrecht is equipped with the innovative BaOPT system. This is a revolutionary technology that creates a much more natural and pleasant interior atmosphere while generating a significant reduction in energy consumption.



EMPLOYEE SATISFACTION

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



Kinepolis invests in the development of personal talents.



Participation of Kinepolis in the 'Wings for Life' charity run.

SOCIOCULTURAL RESPONSIBILITY

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

In 2016 Kinepolis supported various projects, including 'Wings for Life' and 'Music for Life' in Belgium, the Red Cross in Spain and 'Bio Kinderrevalidatie' in the Netherlands. In France Kinepolis installed a system to significantly improve the accessibility of cinemas for people with reduced vision or hearing in all cinemas. Furthermore, in 2016 ecological, social and environmental aspects were given the fullest consideration when developing various new build projects.



Blood donors are given a discount at Kinepolis in Spain.



Kinopolis Dordrecht (NL)

Kinopolis wants to introduce its unique cinema concept in new markets and for new target groups to help create additional value for all stakeholders. Over the past three years Kinopolis has taken some big steps in the implementation of its expansion strategy. Over this period its complex portfolio has grown from 23 to 49. 2016 was another exceptional year of expansion for Kinopolis, with the opening of five new build complexes in the Netherlands, Spain and France, and the successful integration of complexes acquired earlier. Investments were also made in strengthening the organization to support this growth.

THE NETHERLANDS

After the acquisition of Wolff Bioscopen and the Dutch Utopolis complexes in 2014 and 2015 respectively, in 2016 Kinopolis opened three new build cinemas in the Netherlands. **Kinopolis Dordrecht** was officially opened on 17 February 2016, as the first new-build Kinopolis Group cinema in almost a decade. Accommodating six screens and almost 1 200 seats, Kinopolis Dordrecht catches the eye with its unusual architectural style and location on the water.

Expansion



Kinopolis Jaarbeurs (NL)



Kinepolis Enschede (NL)



Automated ticketing systems

A few months later – on 1 August 2016 – **Kinepolis Breda** opened to the public as Europe's first all-laser cinema. The cinema has ten screens and 1 727 seats and is part of the 'Breeppark' event zone. The laser projectors ensure superior image quality in every cinema room. In the Laser ULTRA room Barco's Flagship Laser projector is combined with the immersive Dolby Atmos sound system.

Kinepolis ended the year in the Netherlands with the partial opening of **Kinepolis Utrecht**. The first six screens to be finished welcomed the general public for the first time on 14 December. The remaining eight screens were inaugurated on 7 March 2017. Kinepolis Jaarbeurs is Utrecht's biggest complex and one of the biggest in the Netherlands with 14 screens and 3 200 seats. Kinepolis Jaarbeurs is the second complex after Kinepolis Breda that is fully equipped with laser projectors and there are also two Laser ULTRA rooms for visitors that are looking for an even more intense film experience.

Next to the numerous new build projects, the former Wolff cinemas in **Enschede** and **Groningen** were converted to the Kinepolis concept at the beginning of 2016. Both were equipped with the characteristic self-service shop, ticketing machines and the interior was thoroughly remodeled. Kinepolis Enschede (re) opened its doors on 29 January 2016 as the first Dutch cinema under the Kinepolis name. Kinepolis Groningen followed on 18 March 2016.

Kinepolis has plans for further expansion in the Netherlands in the years to come. Construction recently began for a new complex in '**s-Hertogenbosch**. The cinema will be built in the Paleiskwartier district and will have seven screens, with around 1 000 seats in total. The Paleiskwartier is an inner-city district currently under development next to 's-Hertogenbosch central train station. The cinema will be nestled among offices, apartments, a supermarket and a restaurant. It is set to open in the first quarter of 2018. It will be the second Kinepolis complex in the province of North Brabant, after Kinepolis Breda.

In 2016 Kinepolis opened three new build projects in the Netherlands



Kinepolis Fenouillet (FR)



Kinepolis Bourgoin-Jallieu (FR)

FRANCE

Kinepolis began 2016 by taking over the operation of the cinema situated in the Saint-Sever shopping center in the heart of **Rouen** (Normandy).

Formerly run by UCG, the cinema has 14 screens and 2 500 seats. It is the first Kinepolis cinema in Normandy.

The 'Mégaroyal' cinema in **Bourgoin-Jallieu**, which was acquired in 2015, was then converted to the Kinepolis concept. Kinepolis Bourgoin-Jallieu reopened its doors on 24 March 2016.

And, in France too, Kinepolis ended the year by opening a new-build complex. The eight-screen, 1 100-seat **Kinepolis Fenouillet** is part of 'La Galerie Espaces Fenouillet', the new shopping and recreation center in the north of Toulouse.

The complex in Fenouillet is the first in France to be fully equipped with laser projectors, including a Laser ULTRA room.

In the meantime, construction is ongoing of the 'Les Promenades de Brétigny' retail park in **Brétigny-sur-Orge**, 35 kilometers south of Paris. This new leisure and restaurant center will house the first Kinepolis complex in the Île-de-France region. The 10-screen, 1 530-seat complex is expected to welcome around 500 000 visitors annually. Immochan will rent a wind-tight building with 6 500m² in floor space to Kinepolis. Kinepolis will take care of all cinema interiors and finishing. The cinema is scheduled to open in the third quarter of 2018.



Artist impression of the new Kinepolis in Brétigny-sur-Orge (FR)



Kinopolis Nevada (Granada, ES)



Nevada shopping center (Granada, ES)



Opening Kinopolis Nevada (Granada, ES)

SPAIN

The first new build Kinopolis complex in Spain in almost 13 years opened on 23 November 2016.

Kinopolis Nevada is part of the brand-new 'Nevada' shopping centre in Armilla in the southwest of Granada. The complex has eight screens, all equipped with laser projectors, and 1 693 seats. It is the first Spanish complex exclusively equipped with laser projectors.

Kinopolis already has a complex with 15 screens and 4 600 seats in **Granada**. This brand-new second complex will enable Kinopolis to strengthen its position in the region and offer the unique Kinopolis cinema experience to even more people.



IMAX Brussels (BE)

IMAX with laser offers film-lovers the most vivid digital images on a 532m² screen.

BELGIUM

Kinepolis acquired the **Belgian Utopolis cinemas** in Aarschot, Mechelen, Turnhout and Lommel in April 2016 after the conditional approval of the Belgian Competition Authority. All complexes were subsequently sold to the French cinema group UGC on 30 September 2016.

No new cinemas in Belgium, although a new theater has been added. On 14 December 2016 Kinepolis opened an **IMAX theater** with 4K laser projection and 400 seats at Kinepolis Brussels. IMAX with laser offers film-lovers in Brussels the sharpest, clearest, most vivid digital images on a 532m² screen, combined with an unparalleled immersive audio experience.

Kinepolis continues to invest in expansion, evaluating several projects in various countries – both potential acquisitions and new build. The Group policy is not to make any announcements on expansion projects until they are finalized and all formalities have been completed.



IMAX theater with 4K laser projection and 400 seats at Kinepolis Brussels (BE)

General market information

In Europe the visitor numbers increased in 2016 compared with the previous year. Western Europe (19 countries) posted a rise in the number of visitors with 892.9 million visitors in 2016, compared with 866.0 million visitors in 2015.

In Eastern and Central Europe and the Mediterranean (16 countries)⁽¹⁾ total visitor numbers increased, from 344.5 million in 2015 to 383.8 million in 2016.

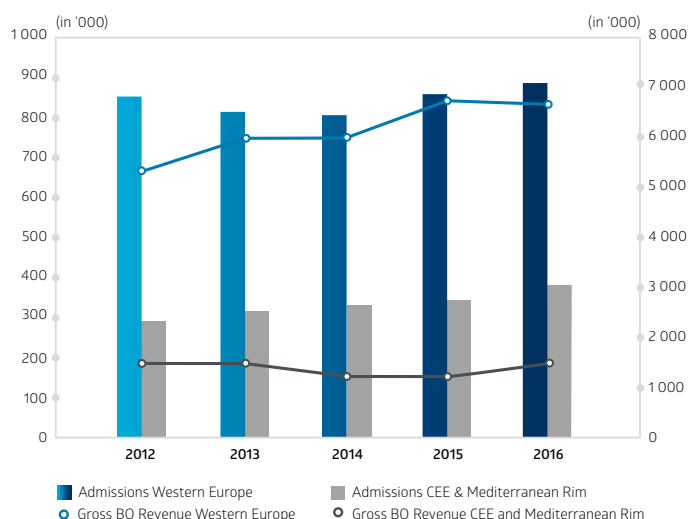
The Western European countries with the biggest rise in visitor numbers in 2016 were Norway (+9%), Spain (+6%), Ireland (+4%), the Netherlands (+3.7%), Sweden and France (+3.6%), Portugal (+2.5%) and Greece (+2.2%).

In Eastern and Central Europe and the Mediterranean Slovakia (+23.4%), the Czech Republic (+20.6%) and Poland (+16.5%) posted the biggest rise compared to the previous year. The European countries with a decrease in 2016 compared with 2015 were Germany, Austria, Belgium and Switzerland.

DIGITIZATION IN EUROPE

The number of digital screens in Belgium continued to rise in 2016. At the beginning of 2017 Europe had just under 38 000 digital screens, compared with 36 538 the year before. The average penetration is now 97%, with Spain, Romania and Turkey at 95%, but 13 (mainly Eastern European) countries still fall a long way short.

CINEMA-GOING IN EUROPE



	2012	2013	2014	2015	2016
Total admissions in Europe (in '000)					
Admissions Western Europe	860 903	819 517	816 541	865 959	892 916
Admissions CEE and Mediterranean Rim	294 751	317 143	334 461	344 543	383 768 ⁽¹⁾
TOTAL	1 155 654	1 136 660	1 151 002	1 210 502	1 276 684
Gross Box Office Revenue in Europe (in '000 €)					
Gross BO Revenue Western Europe	6 351 507	6 023 719	6 047 085	6 797 547	6 743 245
Gross BO Revenue CEE and Mediterranean Rim	1 509 749	1 503 639	1 251 143	1 240 055	1 510 608
TOTAL	7 861 256	7 527 358	7 298 228	8 037 602	8 253 853
Average ticket prices (€)					
ATP Western Europe	7.38	7.35	7.41	7.85	7.55
ATP CEE and Mediterranean Rim	5.12	4.74	3.74	3.60	3.94
TOTAL	6.80	6.62	6.34	6.64	6.47

Source: Mediasalles - Cinema-Going in Europe in 2016
 (1) Excluding Malta for which the figures 2016 still are provisional

2016 at a glance

2016



03 Management Report



Kinepolis Antwerpen (BE)



Discussion of the results

2016 was an exceptional year of expansion for Kinepolis, with the opening of five new build cinemas in the Netherlands, Spain and France, and the successful integration of acquired cinemas. In spite of the less strong film offer, the European football championship and fewer holidays in 2016, the Group posted solid results, with a rise in REBITDA per visitor in virtually all countries.

Kinepolis welcomed 7.5% more visitors in 2016 compared with the previous year, primarily due to acquisitions in 2015 that were included in the figures for the whole year for the first time, the acquisition of a cinema in Rouen (France) in January 2016 and newly opened cinemas in the Netherlands (Dordrecht, Breda, Utrecht), Spain (Granada) and France (Fenouillet). The film offer in 2016 was unable to match an exceptional 2015, which included 'Star Wars: The Force Awakens', 'Minions' and 'Jurassic World', and local content also disappointed in most countries, except for France, due to the success of 'Les Tuche 2'. The later Christmas holiday and the European football championship also played a role in the lower visitor numbers.

Total revenue increased faster than visitor numbers, thanks to the rise in revenue across all activities. Only Brightfish generated less revenue. Sales of beverages and snacks (In-theatre sales) rose, in spite of the negative impact of the country mix due to the lower share of Belgium. More products were bought per person in all countries and there was a relative increase in the number of shop visitors in Belgium and the Netherlands. Revenue from ticket sales (Box Office) rose a little less sharply than visitor numbers, primarily due to the changed country mix and the loss of part of the Virtual Print Fee (VPF).



De Premier

B2B revenue increased due to the expansion, higher sales of cinema vouchers to businesses and higher revenue from screen advertising in all countries except for Belgium, where the national advertising market declined further. Revenue from real estate activities also rose, primarily due to higher revenue from concessions operated by the company, a higher occupancy rate and the impact of the expansion. After a less positive 2015, Kinopolis Film Distribution (KFD) experienced an outstanding 2016, primarily due to successful local releases such as 'Safety First' and 'Achter de Wolken' in the spring and 'De Premier' and 'De Buurtpolitie' in the autumn. The revenue of Brightfish decreased, as a consequence of the further drop in revenue from Belgian screen advertising.

Current EBITDA rose less strongly, by 4.0% to € 94.6 million, primarily due to the changed country mix, the ongoing process of integrating acquired cinemas and the acquisition of Utopolis with partly leased complexes. REBITDA per visitor increased in all countries except for France.

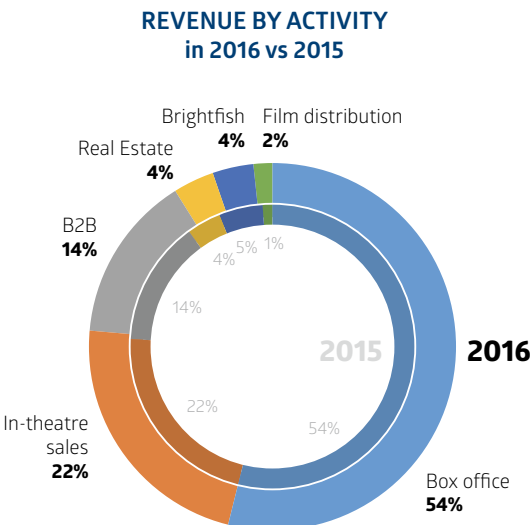
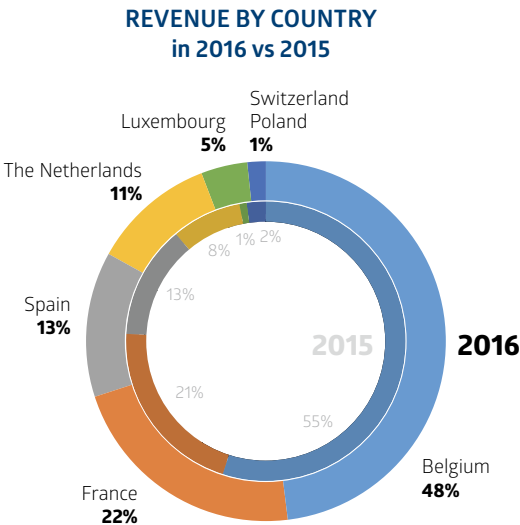
REVENUE

Total revenue in 2016 was € 324.9 million, an increase of 7.7% compared with 2015. Revenue rose more strongly than visitor numbers (+7.5%), due to the slightly higher revenue per visitor and the rise in revenue from B2B activities (+9.5%), real estate (+11.9% at constant exchange rate) and KFD (+38.0%), partly offset by the disappointing revenue of Brightfish (-12.8%).

Revenue from ticket sales (box office, BO) increased by 7.3%, while revenue from food and beverages (in-theatre sales; ITS) increased by 9.6%. BO revenue per visitor fell by -0.2% due to the changed country mix and the loss of part of the VPF revenue. ITS revenue per visitor rose by 1.9%.

Box Office revenue rose by 7.3% to € 175.6 million, growing less strongly than visitor numbers, primarily due to the changed country mix after expansion, with a lower share for Belgium, and the loss of part of the VPF.

The increase in the visitor numbers (+7.5%) was entirely due to the expansion.





The top 5 of 2016 were 'Finding Dory', 'Fantastic Beasts and Where to Find Them', 'The Jungle Book', 'The Revenant' and 'Rogue One: A Star Wars Story'. The most successful local films were 'Safety First' and 'De Premier' in Belgium, 'Les Tuche 2' and 'Radin' in France, 'Soof 2' and 'Rokjesdag' in the Netherlands and 'A Monster Calls' and 'Palmeras en la Nieve' in Spain.

Total revenue in 2016 was € 324.9 million, an increase of 7.7% compared with 2015.

In-theatre sales increased by 9.6% due to the higher visitor numbers and the stronger ITS revenue per visitor (+1.9%). Besides the positive impact of price optimizations, there was a rise in the number of products bought per visitor in all countries and a relative increase in the number of shop visitors in Belgium and the Netherlands. The rise was tempered by the lower share of Belgium and the higher share of France in the country mix. The Netherlands posted a slight fall due to the addition of Utopolis and ITS revenue per visitor also fell in France due to the integration of the acquired cinemas in Longwy and Rouen.

B2B revenue rose by 9.5% due to the expansion, increased sales of cinema vouchers to businesses and a rise in the revenue from screen advertising (+9.2%). Screen advertising posted growth in all countries, due among other things to the expansion, except in Belgium where revenue from screen advertising fell sharply.

Real estate revenue rose by 11.9% (at fixed exchange rates) thanks to higher revenue from concessions operated by the company, a higher occupancy rate, a higher variable rent in Poland and, lastly, the expansion, particularly because of the addition of Utopolis.

The revenue of **Kinepolis Film Distribution (KFD)** rose by 38.0% thanks to a good first quarter, which included 'Safety First' and 'Achter de Wolken', a strong autumn thanks to the local hits 'De Premier' and 'De Buurtpolitie', and the success of 'Bad Moms' and 'Mechanic 2: Resurrection'.

Brightfish generated 12.8% less revenue, primarily due to the further reduction in revenue from national screen advertising in Belgium, as a consequence of the European football championship and continued strong competition from TV and online advertising. The number of advertisers rose slightly, but the budget per campaign declined.

REBITDA

Current EBITDA (REBITDA) rose by 4.0% to € 94.6 million and the REBITDA margin decreased from 30.2% to 29.1%. The changed country mix, with a lower share for Belgium, the ongoing process of integrating acquired cinemas and higher costs related to organizational changes due to the expansion meant that it grew less strongly than the visitor numbers.

REBITDA per visitor fell by 3.3% to € 3.97, due to the changed country mix and the addition of Luxembourg. REBITDA per visitor rose in all other countries except in France, due to the addition of acquired cinemas in Rouen and Longwy.



Safety First



De Buurtpolitie



Achter de Wolken

PROFIT FOR THE PERIOD

Current profit in 2016 was € 40.4 million, a fall of 6.5% compared with 2015 (€ 43.2 million), due to higher depreciations as a consequence of the expansion and a higher effective tax rate.

Total profit was € 47.6 million, compared with € 32.3 million in 2015, an increase of 47.7%, due to the one-off provision in 2015 in response to the decision of the European Commission on the Belgian Excess Profit Ruling (EPR) and the revenue from the sale of Utopolis Belgium in 2016.

The biggest non-current items in 2016 were the result from the sale of Utopolis België NV (€ 8.7 million), the impact of the change in the corporate tax rate in France on deferred tax (€ 1.0 million) and transformation and expansion costs (€ -2.0 million). The income tax expenses on these non-current items were € 1.0 million.

The biggest non-current items in 2015 were the EPR provision (€ -9.4 million), transformation and expansion costs (€ -1.8 million) and a number of other costs (€ -0.6 million). The income tax expenses on these non-current items were € 0.8 million.

The net financial expenses decreased by € 0.1 million or 1.7% to € 7.6 million.

The effective tax rate was 29.9% compared with 27.6% in 2015, primarily due to the withdrawal of the excess profit ruling, offset by the adjustment of the deferred tax liability (DTL) due to the fall in corporate income tax in France as of 2019.

The profit per share was € 1.75, which is 47.1% higher than in 2015.

FREE CASH FLOW AND NET FINANCIAL DEBT

The free cash flow was € 53.6 million compared to € 66.0 million in 2015.

The lower free cash flow was due to a higher tax bill (€ -10.7 million), a higher interest payment (€ -3 million) and more maintenance investments (€ -1.5 million), slightly offset by a positive working capital effect due to the growth of the company.

The free cash flow after expansion investments, dividends and share buybacks was € -7.4 million, € 28.6 million lower than the year before, due to € 1.5 million less dividend payments, € 10.7 million less in investments in internal expansion and acquisitions, € 35.1 million more in assets sales, partly offset by € 6.4 million less in share buybacks and € 3.0 million more in paid interest.

In 2016, € 84.5 million was invested in the purchase of fixed assets, primarily as a consequence of the construction of the new complexes in the Netherlands, France and Spain and maintenance and remodeling investments.

Net financial debt was € 169.8 million at 31 December 2016, an increase of only 4.8% compared with the end of 2015 (€ 162.0 million), in spite of the investments in expansion and maintenance.

The total gross financial debt decreased by € 8.5 million to € 214.3 million at 31 December 2016 compared to € 222.8 million at 31 December 2015.



The Revenant



Fantastic Beasts



The Jungle Book

BALANCE SHEET

Fixed assets (€ 424.1 million) represented 84.2% of the balance sheet total at 31 December 2016 (€ 503.4 million). This includes land and buildings (including investment property) with a carrying amount of € 292.6 million.

Equity was € 149.9 million at 31 December 2016. Solvency was 29.8%, compared with 25.1% in 2015.

DIVIDEND OF € 0.87 PER SHARE

The Board of Directors will propose to the General Meeting of 10 May 2017 application of a pay-out ratio of 50% of net profit, resulting in an amount of € 23 692,580. Taking into account the number of shares entitled to dividend on 17 February 2017, which is 27 232,851, this means a gross dividend of € 0.87 per share for the financial year 2016. This represents an increase of 10.1% compared to 2015 (€ 0.79 per share). The dividend will be made available from 16 May 2017 (ex-date: 12 May 2017, record date: 15 May 2017).

IMPORTANT EVENTS AFTER THE END OF THE FISCAL YEAR 2016

Kinepolis has obtained all necessary permits to begin construction of a new cinema in 's-Hertogenbosch (Netherlands). The cinema will be built in the Paleiskwartier district and will have seven screens, with around 1 000 seats in total. The Paleiskwartier is an inner-city district currently under development next to 's-Hertogenbosch central train station. The cinema will be nestled among offices, apartments, a supermarket and a restaurant. Kinepolis targets 350 000 visitors per year in 's-Hertogenbosch. In the meantime construction has begun and the cinema is set to open in the first quarter of 2018. It will be the second Kinepolis cinema in the province of North Brabant, after Kinepolis Breda.



New Kinepolis app

In 2016 Kinepolis continued to roll out its new cinema ERP system, known as Vista, in virtually all of its complexes. Vista is the software package behind all important operational processes, from film description to popcorn sales. The new system offers uniformity and enables the central management of data, which is important in the light of the current and future growth of the Group. Vista is currently operational in all Kinepolis cinemas except the former Utopolis complexes in the Netherlands and Luxembourg. The new ERP system will also be operational in these complexes by April 2017.

In the wake of the website, the new Kinepolis apps for Android and iOS users were released at the end of January 2017. The apps have a renewed user-friendly design, ensuring a more personalized experience, just like the website. For the first time, tickets are now delivered directly in the app, through the user's 'My Kinepolis' account. The ticket in the app contains a barcode that can be conveniently scanned at the cinema. Select the film and the cinema, pay and receive the ticket: that is now all possible with a few taps in the Kinepolis app.

Corporate Governance Statement

The Board of Directors approved a revised version of the Corporate Governance Charter of Kinopolis Group NV on 16 February 2017 in response to the introduction of a new Dealing Code. 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 2016, together with an explanation of the deviations from the Code in accordance with the 'comply or explain' principle.

SHARE CAPITAL

The share capital at 31 December 2016 was € 18 952 288.41.

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

After the delivery of 111 875 shares within the framework of the exercise of options, at 31 December 2016 Kinopolis Group held 132 346 treasury shares with a capital value of € 91 658.74.

The Extraordinary General Meeting of 11 May 2016 authorized the Board of Directors to acquire 410 958 shares of the company to cover the new options to be issued under the 2016 Share Option Plan and also decided, if the Board of Directors deems it expedient, to use 132 346 shares acquired under the earlier authorizations to cover the new options to be issued under the 2016 Share Option Plan.

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 SA, 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, 17 December 2015 and 13 December 2016**, 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** concerning 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 also 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, 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 2016:

- ★ 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 132 346 shares or 0.48% 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 2016 ⁽¹⁾

SHAREHOLDER	NUMBER OF SHARES	%
Kinohold BIS	12 700 050	46.41
Mr. Joost Bert	554 540	2.03
Kinopolis Group NV	132 346	0.48
Free Float, of which:	13 978 261	51.08
- Axa SA	1 523 555	5.57
- BNP Paribas Investment Partners	1 365 695	4.99
TOTAL	27 365 197	100%

⁽¹⁾ The transparency declaration of 28 February 2017 shows that BlackRock Investment Management Ltd held a 4.10% stake in Kinopolis group NV on the aforementioned date. The transparency declaration of 14 February 2017 shows that Ameriprise Financial Inc. held a 3.05% stake in Kinopolis group NV on the aforementioned date.



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 nine members, six of whom are independent of the majority shareholders and management. These directors fulfil the criteria for independent directors as stated in the Article 526 ter of the Companies Code 'establishing the criteria for independent directors' 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 the Board and its committees. As part of this, the Board was diversified further with the appointment of Adrienne Axler, CEO of the DACH region (Germany, Austria, Switzerland) of the Sodexo Group.

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.



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



Adrienne Axler was appointed as Independent Director of Kinepolis Group on 11 May 2016.

The table below shows the composition of the Board of Directors as well as the attendance record of the respectively directors to the eight meetings that took place in 2016.

COMPOSITION BOARD OF DIRECTORS

NAME	POSITION	TERM ENDS	OTHER POSITIONS AT LISTED COMPANIES	ATTENDANCE RECORD (8)
Mr. Philip Ghekiere ⁽¹⁾ ⁽²⁾	Chairman	2020	/	All meetings
Mr. Eddy Duquenne	CEO	2020	/	All meetings
Mr. Joost Bert ⁽²⁾	CEO	2020	/	All meetings
Ms. Marion Debruyne, permanent representative of Marion Debruyne bvba	Independent Director	2017	Recticel NV: Director	All meetings
Ms. Annelies van Zutphen, permanent representative of Zutphen Consulting bv ⁽³⁾	Independent Director	2017	/	All meetings
Mr. Rafaël Decaluwé, permanent representative of Gobes Comm. V.	Independent Director	2017	Jensen Group NV: Chairman	All meetings
Mr. Jo Van Biesbroeck, permanent representative of JoVB bvba	Independent Director	2017	Telenet NV: Director	All meetings
Mr. Geert Vanderstappen, permanent representative of Pallanza Invest bvba ⁽⁴⁾	Independent Director	2018	Smartphoto Group NV: Director	Seven meetings
Ms. Adrienne Axler (since 11 May 2016)	Independent Director	2018	/	Four meetings

⁽¹⁾ Non-executive director

⁽²⁾ Represent the majority shareholders

⁽³⁾ After the discharge of Mrs. Annelies van Zutphen, Van Zutphen Consulting bv was co-opted on 23 March 2016 by the Board of Directors, which was certified by the General Assembly on 11 May 2016.

⁽⁴⁾ Management Center Molenberg bvba was taken over by Pallanza Invest bvba on 19 July 2016.



Kinepolis Fenouillet (FR) opening ceremony

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 Kinepolis Corporate Governance Charter, the following items were handled on a regular basis:

- ★ Review of the monthly revenues 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;
- ★ 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 the Executive Management;
- ★ Assessment of the functioning of the Board of Directors and its committees;
- ★ Restructuring of the ICT architecture;
- ★ The primary risks to which 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 nine meetings are scheduled in 2017. 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, Kinepolis 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 Kinepolis 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).

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

The NRC met three times in 2016 in the presence of all members and mainly dealt with the following:

- ★ Evaluation of the management targets for the Executive Management and establishment of the variable remuneration for the fiscal year 2015;
- ★ Evaluation of the criteria for granting the balance of the outperformance bonus for the fiscal year 2014;
- ★ Qualitative and quantitative management targets with regard to the fiscal year 2016 for the Executive Management and the corresponding variable remuneration;

- ★ The evaluation and remuneration policy for the senior management;
- ★ The evaluation process and bonus policy for budget owners;
- ★ The possible introduction of a new share option plan, arrangements for its implementation and the allocation of the share options;
- ★ The evolution in the 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:

- ★ Pallanza Invest 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 2016 the Audit Committee met four times, with all members present (or represented), 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 annual risk management action plan;
- ★ 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;
- ★ Proposal for the reappointment of the statutory auditor for the period 2016-2019.

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

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

In 2017 the Board once again has plans to have a thorough education in order to optimize, on the basis of the results thereof, the existing Management and process structures.

EXECUTIVE MANAGEMENT

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

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

In 2016 the insider trading policy was brought into line with the new EU insider trading rules of 16 April 2014, which came into force on 3 July 2016. This Dealing Code 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 occurs strictly in accordance with applicable EU and national rules 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.

With regard to the proceedings brought by FSMA's Management Committee against Kinohold Bis SA, Mr. Joost Bert, PGMS NV, Mr Philip Ghekiere and Mr Eddy Duquenne due to alleged insider dealing with regard to their purchase of shares for their account in 2011, the Court of Appeal in Brussels confirmed on 1 March 2017 the administrative sanctions imposed by the Sanctions Committee. The aforementioned persons have notified the Company that their good faith in this matter was not questioned by the Court of Appeal. The Board of Directors confirmed her trust in these persons.

A Code of Conduct has also been in force since 2013, containing the appropriate guidelines, values and standards with regard to the ethical and fitting way 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 tries to provide transparent information regarding the remuneration of members of the Board of Directors and the Executive Management to its shareholders and other stakeholders.

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

Principles

The principles of the remuneration policy and level for the directors and the 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 the 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 an 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;



B2B event at Kinepolis Madrid (ES)

- ★ 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, the Executive Management receives 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 the 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;
- ★ As well as this variable remuneration, long-term incentives in the form of share options or other financial instruments of the Company or its subsidiaries may also be allocated to the Executive Management. The remuneration package for the 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 granted on the basis of incorrect financial data was not explicitly provided for in such cases;
- ★ The exit compensation of a member of the Executive Management in the event of early termination of a contract (entered into after 1 July 2009) will not exceed twelve (12) months' basic and variable remuneration. 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.



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

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 the **Executive Management** based on the proposal of the Nomination and Remuneration Committee, with due consideration for the relevant contractual stipulations and benchmark data from other comparable listed companies 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 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 annually on the basis of an analysis by the Nomination and Remuneration Committee.

The achievement of the quantitative targets is 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 achievement of business plans in 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 11 May 2016 the General Meeting approved the proposal to base the integral annual variable remuneration of the CEOs for the fiscal years 2017 through 2020 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.

Exceptionally, the General Meeting of 11 May 2016 offered the possibility of granting 45 000 share options under the 2016 Share Option Plan to the Chairman of the Board of Directors, who is a non-executive director but, as the representative of the majority shareholder, is closely involved in implementing the Company's long-term value creation strategy. In fulfilment of the above mentioned decision 45 000 share options were offered to the Chairman in 2016, who has accepted these in 2017.

With the exception of the aforementioned remuneration, 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, of which the total premium amounts to € 22 123, including taxes, and which is paid by the company.

REMUNERATION BOARD OF DIRECTORS

NAME	TITLE	REMUNERATION 2016 (IN €)
Mr. Philip Ghekiere ^{(1) (2)}	Chairman of the Board of Directors and of the Nomination and Remuneration Committee	100 000
Mr. Eddy Duquenne	CEO	30 000
Mr. Joost Bert ⁽²⁾	CEO	30 000
Ms. Marion Debruyne, permanent representative of Marion Debruyne bvba	Independent Director	32 500
Ms. Annelies van Zutphen, permanent representative of Zutphen Consulting bv ⁽³⁾	Independent Director	32 500
Mr. Rafaël Decaluwé, permanent representative of Gobes Comm. V	Independent Director	53 500
Mr. Jo Van Biesbroeck, permanent representative of JoVB bvba	Independent Director	41 500
Mr. Geert Vanderstappen, permanent representative of Pallanza Invest bvba ⁽⁴⁾	Independent Director	45 250
Ms. Adrienne Axler (since 11 May 2016)	Independent Director	21 668
TOTAL		386 918

(1) Non-executive director

(2) Represent the majority shareholders

(3) After the resignation of Ms. Annelies van Zutphen, Van Zutphen Consulting bv was coopted by the Board of Directors as of 23 March 2016, which was confirmed by the General Meeting of 11 May 2016.

(4) Management Center Molenberg bvba was acquired by Pallanza Invest bvba on 19 July 2016.

Application of the remuneration policy on the members of Executive Management

Principles

The remuneration for Executive Management is set on the proposal of the Nomination and Remuneration Committee, with due consideration for the benchmark data from external surveys and with regard to the ratio of the fixed to the variable part of the remuneration package and to keep the remuneration in line with the practice at comparable listed companies as well as market rates, bearing in mind the roles, responsibilities, management targets and value created.

The remuneration for the Executive Management was accordingly set in 2015 for the fiscal years 2015-2016.

In setting the targets for the fiscal year 2016, the Board of Directors used the current EBITDA parameter to set the **quantitative management** targets as it feels that this is the relevant measure of the development of value creation within the company. When assessing whether they have been achieved, account is taken of how the current EBITDA of the mature cinema complexes (those that have been part of the Kinopolis group for more than three years) has changed compared to the targets set by the Board of Directors as well as how the expansion projects have advanced compared to the business plans.

The **qualitative targets** relate to the further growth and development of the company, the further development of the Talent Factory, the strengthening of the ICT organization and the further optimization of management reporting and corporate processes and models.

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 will be evaluated at the beginning of the fiscal year 2017 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 2016 the Board of Directors evaluated the targets set for **fiscal year 2015** and observed that, with regard to the qualitative targets, the milestones had been achieved or at least concrete progress was made and that, with regard to the quantitative targets, the goals were largely exceeded.

On the recommendation of the Nomination and Remuneration Committee, the Board therefore decided to award the full variable remuneration linked to qualitative targets and quantitative targets. Bearing in mind the exceptional results, the considerable expansion efforts and the successful integration of the acquired cinemas, it was also decided to award an exceptional bonus of € 60 000 to Mr Duquenne.

Furthermore, it was observed that the condition of the award of the remaining balance of the 2014 outperformance bonus being, the achievement of the underlying business cases for the acquired complexes in Madrid and Alicante and for the WolffGroup, had been met, so this balance of € 65 000 was paid out in 2016.

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 the 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.



Hereafter 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 2016 (excluding VAT):

★ **bvba Eddy Duquenne**

- Fixed remuneration ⁽¹⁾	€ 538 242
- Variable remuneration ⁽²⁾	€ 400 000
- Balance of 2014 outperformance bonus	€ 65 000
- Exceptional bonus	€ 60 000
- Expense allowance	€ 9000
TOTAL	€ 1 072 242

★ **Mr. Joost Bert**

- Fixed remuneration ⁽¹⁾	€ 350 120
- Variable remuneration ⁽²⁾	€ 220 000
- Pension scheme ⁽³⁾	€ 9 723
TOTAL	€ 579 843

Long-term incentives

Under the 2007-2016 Share Option Plan the remaining 111 875 allocated options were exercised in full by management staff, which means this plan came to an end in 2016.

On 11 May 2016 the General Meeting approved a new Share Option Plan, under which 543 304 options (maturing on 10 May 2024) on existing shares can be offered to the Chairman of the Board of Directors, the 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.

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

Fiscal years 2017-2018

The Company has no plans for fundamental policy changes for the aforementioned fiscal year.

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

⁽²⁾ Received in 2016 for performances in 2015

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



Kinepolis Nevada (Granada, ES)

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 the 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 the 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. With this in mind, Kinepolis Group values integrity and ethical action highly. Alongside the existing legal framework, Kinepolis Group endeavors to encourage and enforce this type of behavior 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. Kinepolis has a clear and uniform organizational structure, which fits with 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 internal control activities).

As stated above, it is first and foremost the duty of every manager to properly set up and implement the various internal risk management activities (including monitoring) within the scope of his 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 the 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 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 the 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 2016 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 movies), it is dependent on the availability, diversity and quality of movies 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 revenues of Kinopolis Group can vary from period to period, because the producers and distributors decide when their movies are released completely independently of the cinema operators and because certain periods, such as holidays, can traditionally have an impact on visitor numbers. The weather can also play an important role in the frequency of cinema visits. Kinopolis largely accepts this risk, considering that the costs of a financial hedging policy would exceed the revenue from it, but 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 behavior of Kinopolis customers. This competition also comes from the cinemas of other



Kinepolis B2B event

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 movie 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 movies. Besides these legal alternatives, the cinema industry also has to deal with illegal downloads. Kinepolis is working actively with distributors to agree measures to counter any increasing illegal sharing of material online.

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

Economic situation

Changes to the general, global or regional economic situation or the economic situation in areas where Kinepolis Group NV is active and that can impact consumer behavior and the production of new movies, can have a negative impact on Kinepolis Group's operating profits. Kinepolis 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 Kinepolis 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, Kinepolis Group will thoroughly examine growth opportunities in advance, to ensure these risks are properly assessed and, where necessary, controlled.

Political, regulatory and competition risks

Kinepolis Group strives to operate within the legal framework at all times. However, additional or amended legislation, including tax laws, could restrict Kinepolis' growth and operations or result in additional investments or costs. Where possible, Kinepolis Group actively manages these risks by notifying the relevant political, administrative or legal bodies of its positions and defending them in an appropriate way. Belgium's Competition Council has imposed a number of conditions and restrictions on Kinepolis 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. Kinepolis 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. 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.



Kinopolis Enschede (NL)

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. The Commercial Court ruled in favor of Kinopolis at the end of 2016, with UGC Belgium then lodging an appeal at the Court of Appeal in Brussels.

The other risks stated in 2015 (the Luxembourg competition case and the lack of an operating license for an acquired cinema) were also resolved successfully in 2016.

Lastly, it can be reported that Kinopolis is currently involved in proceedings relating to a tax ruling applied to it in 2012. On 11 January 2016 the European Commission published its decision that the Belgian tax rulings with regard to excess profit are considered to be unlawful state aid. The decision of the European Commission obliges the Belgian government to make an additional claim for tax that would have been owed if such tax rulings had not been applied. As a consequence of the decision of the European Commission, in accordance with IAS 12 Kinopolis has set up a provision of € 9.4 million for a



Kinepolis Jaarbeurs (Utrecht, NL) opening

potential additional claim for tax on the excess profit that was not included in the taxable base due to the ruling. The amount of the provision covers the full potential claim, including interest charges.

Together with other companies involved, Kinepolis filed an appeal against the European Commission's decision at the Court of Justice of the European Union on 1 July 2016. If the appeal lodged by Kinepolis Group is successful Kinepolis will be refunded all amounts paid. The final judgment of the Court of Justice of the European Union is not expected for a couple of years.

Kinepolis is confident that these 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 2016 the Group's net financial debt was €169.8 million. Interest rate swaps were entered into for € 41.6 million in order to hedge the interest risk on a fixed-term loan that was originally for the same amount.

The Notes to the Consolidated Financial Statements provide a detailed description of how the Group manages the 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 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 7.7. of the Code, after approval by the General meeting of 11 May 2016, in 2016 45 000 share options under the Share Option Plan were offered to the Chairman of the Board of Directors, who accepted them in 2017. The allocation of options fits within the framework of this authorization, given that the Chairman, as a representative of the majority shareholder, is closely involved in implementing the Company's long-term value creation strategy.
- ★ Contrary to Stipulation 4.6. of the Code, the professional qualifications and duties of the directors to be reappointed were not stipulated in the convening notices to the General Shareholders' Meeting of 11 May 2016, given that these qualifications are already published in several press releases and annual reports.

Other information



Cosy Seating

RESEARCH AND DEVELOPMENT

In the year under review, Kinopolis developed a number of new concepts for the benefit of the operating entities within the framework of the three strategic pillars. Kinopolis 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.

As part of this, the Kinopolis Innovation Lab was set up in 2016 with the aim of generating much more bottom-up innovation from the operating entities rather than the top-down sort. Examples of concepts developed in 2016 are the Sushicque concept in Spain (sushi bar operated by Kinopolis), the Cinetray concept in Belgium and the mobile Nacho island in Spain. Efforts are currently being invested in the Ciné K concept in France, which focuses on more local and alternative movies, and the continued rollout of Cosy Seating. The Belgian e-shop, which sells gift boxes, was launched in France and the new Kinopolis app was released in all countries in February 2017.

CONFLICT OF INTERESTS POLICY

The Board of Directors took the following decisions on 23 March 2016, pursuant to Article 523 of the Companies Code.

- ★ Evaluation of the 2015 management targets for Executive Management
- ★ Award the resulting variable remuneration of €400 000 to Mr Eddy Duquenne and € 220 000 to Mr Joost Bert, as well as a discretionary bonus of € 60 000 to Mr Eddy Duquenne due to the exceptional results and the considerable efforts made to implement the expansion strategy and the successful integration of the acquired cinemas in Spain and the Netherlands;
- ★ Award to Mr Eddy Duquenne of the balance of the outperformance bonus for the fiscal year 2014 of € 65 000 after the attainment of the targets for the acquired complexes in Madrid and Alicante and the complexes that are part of the Wolff Group;
- ★ Establishment of the management targets for fiscal year 2016;
- ★ Allocation of 90 000 share options to Mr Duquenne and 45 000 share options to Mr Joost Bert and Mr Philippe Ghekiere respectively, subject to the approval of the 2016 Share Option Plan by the General Meeting of 11 May 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 € 0.87⁽¹⁾ per share for fiscal year 2016 is proposed, based on a pay-out ratio of 50% of 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 16 May 2017 (ex-date: 12 May 2017; record date: 15 May 2017) at a financial institution of the shareholder's choosing.

⁽¹⁾ Based on the number of dividend eligible shares on 17/02/2017.

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.



Joost Bert and Eddy Duquenne, CEOs Kinopolis Group

20 March 2017

A blue ink signature of Eddy Duquenne, consisting of a stylized, elongated shape with a horizontal line extending to the right.

Eddy Duquenne
CEO Kinopolis Group

A blue ink signature of Joost Bert, featuring a stylized 'J' and 'B' with a horizontal line extending to the right.

Joost Bert
CEO Kinopolis Group

04 Share information





The Kinepolis Group share

NUMBER OF SHARES

	2012	2013	2014	2015	2016
Number of shares at 31 December	5 856 508	5 582 654	27 365 197	27 365 197	27 365 197
Weighted average number of ordinary shares ⁽¹⁾	5 800 963	5 431 812	26 288 260	26 782 831	27 214 153
Weighted average number of diluted shares ⁽²⁾	5 966 251	5 628 307	27 341 842	27 138 627	27 249 350

SHARE TRADING

	2012	2013	2014	2015	2016
Closing price at 31 December (in €) ⁽³⁾	81.99	115.1	33.46	41.40	42.50
Market value at closing price (in '000 €)	480 175	642 563	915 639	1 132 919	1 163 021
Lowest price of the year (in €) ⁽³⁾	10.8	16.0	22.9	32.9	35.2
Highest price of the year (in €) ⁽³⁾	16.7	23.5	34.3	41.6	42.7
Traded year volume	2 174 524	1 366 053	4 719 540 ⁽³⁾	7 590 604	3 484 211
Average traded day volume ⁽³⁾	8 494	5 357	18 430 ⁽³⁾	29 651	13 557

⁽¹⁾ Weighted average number of ordinary shares: average number of outstanding shares – average number of treasury shares

⁽²⁾ 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.

⁽³⁾ On 1 July 2014 each Kinepolis share was split into five new shares. 2012, 2013 and the first six months of 2014 were recalculated in that sense.

Source: Euronext.com



Kinepolis Dordrecht (NL)

SHARE PRICE AND VOLUME OVER LAST TEN YEARS ⁽⁴⁾



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

SHARE PRICE COMPARISON BETWEEN KINEPOLIS AND PEERS OVER THE PAST FIVE YEARS



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

KIN
LISTED
NYSE
EURONEXT

05 Financial Report





Consolidated income statement

at 31 December

IN '000 €	NOTE	2015	2016
Revenue	3	301 571	324 938
Cost of sales		-201 993	-224 729
Gross profit		99 578	100 209
Marketing and selling expenses		-17 538	-18 620
Administrative expenses		-17 716	-19 059
Other operating income	4	1 177	981
Other operating expenses	4	-256	-304
Operating profit		65 245	63 207
Finance income	7	1 140	866
Finance expenses	7	-8 894	-8 485
Profit before tax		57 491	55 588
Belgian Excess Profit Ruling (EPR) tax	8	-9 355	
Income tax expenses	8	-15 881	-16 622
Total income tax expenses		-25 236	-16 622
Profit for the period from continuing operations		32 255	38 966
Profit from discontinued operations, net of tax	10		8 680
PROFIT FOR THE PERIOD		32 255	47 646
Attributable to:			
Owners of the Company		32 255	47 646
PROFIT FOR THE PERIOD		32 255	47 646
Basic earnings per share from continuing operations (€)		1.20	1.43
Basic earnings per share from discontinued operations (€)			0.32
Basic earnings per share (€)	18	1.20	1.75
Diluted earnings per share from continuing operations (€)		1.19	1.43
Diluted earnings per share from discontinued operations (€)			0.32
Diluted earnings per share (€)	18	1.19	1.75

The notes on page 68-127 are fully part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

at 31 December

IN '000 €	NOTE	2015	2016
Profit for the period		32 255	47 646
Realized results		32 255	47 646
Items that are or may be reclassified to profit or loss:			
Translation differences		884	-277
Cash flow hedges – effective portion of changes in fair value		64	-334
Cash flow hedges – net change in the fair value reclassified to profit or loss		-29	-63
Taxes on other comprehensive income		-12	319
		907	-355
Items that will not be reclassified to profit or loss:			
Changes to estimates of defined benefit plans	5		-541
			-541
Other comprehensive income for the period, net of tax		907	-896
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		33 162	46 750
Attributable to:			
Owners of the Company		33 162	46 750
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		33 162	46 750

The notes on page 68-127 are fully part of these consolidated financial statements.

Consolidated statement of financial position

at 31 December

ASSETS

IN '000 €	NOTE	2015	2016
Intangible assets	9	5 111	5 900
Goodwill	10	53 256	53 255
Property, plant and equipment	11	289 201	321 457
Investment property	12	31 965	31 007
Deferred tax assets	13	670	902
Other receivables	15	11 845	11 574
Other financial assets		27	27
Non-current assets		392 075	424 122
Inventories	14	4 694	5 292
Trade receivables and other assets	15	32 992	29 370
Current tax assets		442	418
Cash and cash equivalents	16	60 432	44 244
Derivative financial instruments		64	
Current assets		98 624	79 324
TOTAL ASSETS		490 699	503 446

EQUITY AND LIABILITIES

IN '000 €	NOTE	2015	2016
Share capital	17	18 952	18 952
Share premium	17	1 154	1 154
Consolidated reserves		103 721	130 863
Translation reserve		-794	-1 071
Total equity attributable to owners of the Company		123 033	149 898
Equity		123 033	149 898
Loans and borrowings	20	214 000	207 278
Provisions for employee benefits	5		544
Provisions	21	7 161	6 664
Deferred tax liabilities	13	19 868	18 324
Derivative financial instruments			333
Other payables	22	10 124	9 174
Non-current liabilities		251 153	242 317
Bank overdrafts	16	44	34
Loans and borrowings	20	8 714	6 996
Trade and other payables	22	86 966	90 653
Provisions	21	753	1 366
Current tax liabilities	23	20 036	12 182
Current liabilities		116 513	111 231
TOTAL EQUITY AND LIABILITIES		490 699	503 446

The notes on page 68-127 are fully part of these consolidated financial statements.

Consolidated statement of cash flow

at 31 December

IN '000 €	NOTE	2015	2016
Profit before tax		57 491	55 589
Adjustment for:			
Depreciation and amortization	6	23 572	27 621
Provisions and impairments		-260	269
Government grants	4	-791	-1 031
(Gains) Losses on sale of fixed assets	4	201	102
Change in fair value of derivative financial instruments and unrealized foreign exchange results		164	
Unwinding of non-current receivables	7, 21	-609	-584
Share-based payments	5	259	84
Amortization of refinancing transaction costs		287	320
Interest expenses and income	7	6 703	6 813
Change in inventory		-853	-598
Changes in trade receivables and other assets		-2 949	4 333
Change in trade and other payables		10 036	3 053
Cash from operating activities		93 251	95 971
Income taxes paid		-16 059	-26 764
Net cash from operating activities		77 192	69 207
Acquisition of intangible assets	9	-1 976	-1 760
Acquisition of property, plant and equipment and investment property	11, 12	-51 646	-58 047
Acquisition of subsidiaries, net of acquired cash	10	-40 190	-24 740
Proceeds from sale of intangible and tangible assets		179	310
Proceeds from sale of subsidiary	10		34 990
Net cash used in investing activities		-93 633	-49 247
Capital reduction		-2	
New loans and borrowings		136 808	
Repayment of loans and borrowings		-55 378	-8 714
Payment of transaction costs with regard to refinancing obligations		-1 629	-45
Interest paid		-4 495	-7 473
Interest received		66	59
Repurchase and sale of own shares		7 881	1 514
Dividends paid		-23 009	-21 480
Net cash – used in / + from financing activities		60 242	-36 139
+INCREASE/ -DECREASE IN CASH AND CASH EQUIVALENTS		43 801	-16 179
Cash and cash equivalents at beginning of the period	16	16 530	60 388
Cash and cash equivalents at end of the period	16	60 388	44 210
Effect of movements in exchange rates on cash and cash equivalents		57	1
+INCREASE/ -DECREASE IN CASH AND CASH EQUIVALENTS		43 801	-16 179

The notes on page 68-127 are fully part of these consolidated financial statements.

Consolidated statement of changes in equity

at 31 December

IN '000 €	2016						
	ATTRIBUTABLE TO OWNERS OF THE COMPANY						EQUITY
	SHARE CAPITAL AND SHARE PREMIUMS	TRANSLATION RESERVE	HEDGING RESERVE	TREASURY SHARES RESERVE	SHARE-BASED PAYMENTS RESERVE	RETAINED EARNINGS	
AT 31 DECEMBER 2015	20 106	-794	40	-4 439	247	107 873	123 033
Profit for the period						47 646	47 646
Items that are or may be reclassified to profit or loss:							
Translation reserve		-277					-277
Cash flow hedges – effective portion of changes in fair value			-334				-334
Cash flow hedges – net change in the fair value reclassified to profit or loss			-63				-63
Taxes on other comprehensive income			319				319
		-277	-78				-355
Items that will not be reclassified to profit or loss:							
Changes to estimates of defined benefit plans						-541	-541
						-541	-541
Other comprehensive income for the period, net of tax		-277	-78			-541	-896
Total comprehensive income		-277	-78			47 105	46 750
Dividends						-21 484	-21 484
Own shares acquired / sold				712		802	1 514
Share-based payment transactions					-247	332	85
Total transactions with owners, recorded directly in equity				712	-247	-20 350	-19 885
AT 31 DECEMBER 2016	20 106	-1 071	-38	-3 727		134 628	149 898

The notes on page 68-127 are fully part of these consolidated financial statements.

IN '000 €	2015						
	ATTRIBUTABLE TO OWNERS OF THE COMPANY						EQUITY
	SHARE CAPITAL AND SHARE PREMIUM	TRANSLATION RESERVE	HEDGING RESERVE	TREASURY SHARE RESERVE	SHARE-BASED PAYMENTS RESERVE	RETAINED EARNINGS	
AT 31 DECEMBER 2014	20 106	-1 678	17	-10 572	2 911	93 948	104 732
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
Other comprehensive income for the period, net of tax		884	23				907
Total comprehensive income		884	23			32 255	33 162
Dividends						-23 102	-23 102
Own shares acquired / sold				6 133		1 849	7 982
Share-based payment transactions					-2 664	2 923	259
Total transactions with owners, recorded directly in equity				6 133	-2 664	-18 330	-14 861
AT 31 DECEMBER 2015	20 106	-794	40	-4 439	247	107 873	123 033

The notes on page 68-127 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 2016 include the Company and its subsidiaries (together the 'Group'). These consolidated financial statements were approved for publication by the Board of Directors on 20 March 2017.

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 2016.

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 2016 gave no cause to change the Group's accounting rules and have no material impact on the consolidated financial statements.

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.

Judgments, 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 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), and if they relate to services provided in the past, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. 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 rights 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 fair value adjustments for buildings from acquisition are depreciated over the estimated expected remaining useful life up to a maximum of 30 years.

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

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

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

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

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

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

Share based payments and related benefits

The stock option plan enables Group employees to acquire shares of the Company. The option exercise price is equal to the average of the closing price of the underlying shares over 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 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 estimated.

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 whenever reasonable certainty exists that they will be received and that the Group will comply 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 where 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. For the Belgian Excess Profit Ruling (EPR), we refer to note 8.

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 2016 and have therefore not been applied to the present consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers,

establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Barter Transactions Involving Advertising Services. IFRS 15 is effective for the annual reports beginning on or after 1 January 2018, with early adoption permitted, and has been endorsed by the EU. Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016) has not yet been endorsed by the EU.

The Group analyzed IFRS 15 in 2016 and does not foresee any material impact on the consolidated financial statements when this standard is applied.

IFRS 16 Leases published on 13 January 2016 makes a distinction between a service contract and a lease based on whether the contract conveys the right to control the use of an identified asset and introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. For lessors, there is little change to the existing accounting in IAS 17 Leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions

Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. This new standard has not yet been endorsed by the EU.

In 2017 the Group will evaluate the possible effect of application on the consolidated financial statements.

IFRS 9 Financial Instruments published in July 2014 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements, which align hedge accounting more closely with risk management. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

Earlier application is permitted. This new standard has been endorsed 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.

The disclosure initiative (amendments to IAS 7) requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for annual periods beginning on or after 1 January 2017, with earlier adoption permitted. These amendments have not yet been endorsed 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.

Recognition of Deferred Tax Assets for Unrealized Losses (amendments to IAS 12) clarifies the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. Further, the amendments

provide guidance on estimating probable future taxable profits when assessing the recognition of deferred tax assets when there are insufficient taxable temporary differences relating to the same taxation authority and the same taxable entity. The amendments are effective for annual periods beginning on or after 1 January 2017, 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.

Classification and Measurement of Share-based Payment Transactions (amendments to IFRS 2) issued on 20 June 2016 covers three accounting areas: the measurement of cash-settled share-based payments; the classification of share-based payments settled net of tax withholdings; and the accounting for a modification of a share-based payment from cash-settled to equity-settled. The amendments are effective for annual periods commencing on or after 1 January 2018. As a practical simplification, the amendments can be applied prospectively so that prior periods do not have to be restated. Retrospective, or early, application is permitted if companies have the required information. 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.

Transfers of property assets to / from, investment property (amendments to IAS 40) issued on 8 December 2016, clarifies that a property asset is transferred to, or from, investment property when and only when there is an actual change in use. A change in management intention alone does not support a transfer. The amendments are effective for annual periods beginning on or after 1 January 2018, 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.

IFRIC 22 Foreign currency transactions and Advance consideration issued on 8 December 2016, clarifies the transaction date to be used to determine the exchange rate for translating foreign currency transactions involving an advance payment or receipt. The interpretation is

effective for annual periods beginning on or after 1 January 2018, 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.

Annual improvements to IFRSs 2014-2016 Cycle, issued on 8 December 2016, covers the following minor amendments:

- ★ IFRS 1 First-time Adoption of IFRS: Outdated exemptions for first-time adopters of IFRS are removed (effective for annual periods beginning on or after 1 January 2018);
- ★ IFRS 12 Disclosure of Interests in Other Entities: Also applies to interests that are classified as held for sale or distribution (effective for annual periods beginning on or after 1 January 2017) and
- ★ IAS 28 Investments in Associates and Joint Ventures: A venture capital organization, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value (effective for annual periods beginning on or after 1 January 2018, 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 2016 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 cost, 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 in 2015 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 €	2016							
	BELGIUM	FRANCE	SPAIN	NETHERLANDS	LUXEMBOURG	OTHER (POLAND & SWITZERLAND)	NOT ALLOCATED	TOTAL
Segment revenue	180 909	71 375	42 732	35 941	14 321	4 721		349 999
Inter-segment revenue	-24 074	-502	-387	-4	-51	-43		-25 061
Revenue	156 835	70 873	42 345	35 937	14 270	4 678		324 938
Cost of sales	-103 093	-48 208	-30 392	-28 887	-11 449	-2 700		-224 729
Gross profit	53 742	22 665	11 953	7 050	2 821	1 978		100 209
Marketing and selling expenses	-11 710	-3 006	-2 158	-1 148	-401	-197		-18 620
Administrative expenses	-14 044	-1 596	-900	-1 265	-912	-342		-19 059
Other operating income	176	767	4	36	-1	-1		981
Other operating expenses	-177	-16	-26	-1	-84			-304
Segment profit	27 987	18 814	8 873	4 672	1 423	1 438		63 207
Finance income							866	866
Finance expenses							-8 485	-8 485
Profit before tax								55 588
Income tax expense							-16 622	-16 622
Profit for the period from continuing operations								38 966
Profit from discontinued operations, net of tax							8 680	8 680
PROFIT FOR THE PERIOD								47 646

STATEMENT OF FINANCIAL POSITION – ASSETS

IN '000 €	2016							
	BELGIUM	FRANCE	SPAIN	NETHERLANDS	LUXEMBOURG	OTHER (POLAND & SWITZERLAND)	NOT ALLOCATED	TOTAL
Intangible assets	5 052	425	300	123				5 900
Goodwill	6 586	11 804	2 858	19 661	5 844	6 502		53 255
Property, plant and equipment	76 615	75 446	50 246	98 856	13 136	7 158		321 457
Investment property	13 722		6 721			10 564		31 007
Deferred tax assets							902	902
Other receivables	30	10 925	615	-20	24			11 574
Other financial assets							27	27
Non-current assets	102 005	98 600	60 740	118 620	19 004	24 224	929	424 122
Inventories	3 779	413	447	529	71	53		5 292
Trade and other receivables	16 304	7 950	1 504	2 216	1 023	373		29 370
Current tax assets							418	418
Cash and cash equivalents							44 244	44 244
Derivative financial instruments							0	0
Current assets	20 083	8 363	1 951	2 745	1 094	426	44 662	79 324
TOTAL ASSETS	122 088	106 963	62 691	121 365	20 098	24 650	45 591	503 446

STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

IN '000 €	2016							
	BELGIUM	FRANCE	SPAIN	NETHERLANDS	LUXEMBOURG	OTHER (POLAND & SWITZERLAND)	NOT ALLOCATED	TOTAL
Share capital and share premiums							20 106	20 106
Consolidated reserves							130 863	130 863
Translation reserve							-1 071	-1 071
Total equity attributable to owners of the Company							149 898	149 898
Equity							149 898	149 898
Financial liabilities							207 278	207 278
Provisions for employee benefits	544							544
Provisions	2 233	122		4 153	156			6 664
Deferred tax liabilities							18 324	18 324
Other payables	1 070	7 903	187	14			333	9 507
Non-current liabilities	3 847	8 025	187	4 167	156		225 935	242 317
Bank overdrafts							34	34
Financial liabilities							6 996	6 996
Trade and other payables	48 449	20 913	8 655	9 465	2 563	608		90 653
Provisions	89	766		511				1 366
Current tax liabilities							12 182	12 182
Current liabilities	48 538	21 679	8 655	9 976	2 563	608	19 212	111 231
TOTAL EQUITY AND LIABILITIES	52 385	29 704	8 842	14 143	2 719	608	395 045	503 446

CAPITAL EXPENDITURE

IN '000 €	2016							
	BELGIUM	FRANCE	SPAIN	NETHERLANDS	LUXEMBOURG	OTHER (POLAND & SWITZERLAND)	NOT ALLOCATED	TOTAL
CAPITAL EXPENDITURE	8 345	11 400	5 636	34 224	104	98		59 807

NON-CASH ELEMENTS

IN '000 €	2016							
	BELGIUM	FRANCE	SPAIN	NETHERLANDS	LUXEMBOURG	OTHER (POLAND & SWITZERLAND)	NOT ALLOCATED	TOTAL
Depreciation, amortization, provisions and impairments	12 326	6 475	2 966	3 745	1 920	459		27 890
Other	84							84
TOTAL	12 410	6 475	2 966	3 745	1 920	459		27 974

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
Gross profit	57 791	22 164	10 724	6 560	542	1 797		99 578
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
Segment profit	32 936	19 055	7 739	3 712	556	1 247		65 245
Finance income							1 140	1 140
Finance expenses							-8 894	-8 894
Profit before tax								57 491
Income tax expense							-25 236	-25 236
PROFIT FOR THE PERIOD								32 255

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
Non-current assets	105 910	93 761	57 962	88 197	20 672	24 876	697	392 075
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
Current assets	23 615	7 249	1 914	2 420	2 205	283	60 938	98 624
TOTAL ASSETS	129 525	101 010	59 876	90 617	22 877	25 159	61 635	490 699

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
Total equity attributable to owners of the Company							123 033	123 033
Equity							123 033	123 033
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
Non-current liabilities	3 540	8 873	153	4 719			233 868	251 153
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
Current liabilities	50 547	19 270	6 912	7 492	2 645	853	28 794	116 513
TOTAL EQUITY AND LIABILITIES	54 087	28 143	7 065	12 211	2 645	853	385 695	490 699

CAPITAL EXPENDITURE

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

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
TOTAL	12 682	5 478	2 694	1 809	575	516		23 754

3. Revenue

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

IN '000 €	2015	2016
Box office	163 642	175 574
In-theatre sales	66 469	72 860
Business-to-business	43 486	47 598
Brightfish	13 337	11 634
Film distribution	3 579	4 940
Real estate	10 972	12 216
Technical department	86	116
TOTAL	301 571	324 938

Box office revenue increased less strongly than the visitor numbers. This is primarily due to the changed country mix after expansion, with a lower share for Belgium, and the loss of some VPF revenue. The increase in the visitor numbers (+7.5%) was mainly due to the expansion.

In-theatre sales also increased due to higher visitor numbers and higher revenue per visitor; despite the negative impact of the country mix we saw a rise in the number of products purchased per visitor in all countries.

Business-to-business revenue increased due to the expansion, higher sales of cinema vouchers to businesses and a rise in revenue from screen advertising. Business-to-business revenue includes exchange deals for € 10.6 million (2015: € 11.8 million).

Brightfish generated less revenue, primarily due to the further reduction in revenue from national screen advertising in Belgium, as a consequence of the European football championship and continued strong competition from TV and online advertising. The number of advertisers rose slightly, but the budget per campaign declined.

The revenue from film distribution rose, due to a good first quarter, which included 'Safety First' and 'Achter de Wolken', a strong autumn thanks to the local hits 'De Premier' and 'De Buurtpolitie', and the success of 'Bad Moms' and 'Mechanic 2: Resurrection'.

Among other things, the higher real estate revenue was driven by the expansion, more revenue from in-house managed concessions (Leonidas Chocolates Café, the Ola Happiness Station and The Magic Forest), a higher occupancy rate and a higher variable rent in Poland.

4. Other operating income and expenses

OTHER OPERATING INCOME

IN '000 €	2015	2016
Government grants	791	765
Reversal of provisions	181	
Capital gains on disposal of property, plant and equipment	41	106
Other	164	110
TOTAL	1 177	981

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 € 0.8 million in 2016 (2015: € 0.7 million).

OTHER OPERATING EXPENSES

IN '000 €	2015	2016
Losses on disposal of property, plant and equipment	-240	-214
Other	-16	-90
TOTAL	-256	-304

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

5. Employee benefit expenses

IN '000 €	2015	2016
Wages and salaries	-34 008	-38 764
Social security contributions	-8 909	-9 386
Employer contributions for employee insurances	-728	-829
Share-based payments	-259	-84
Other employee benefits	-1 899	-2 999
TOTAL	-45 803	-52 062
Total full-time equivalents at balance sheet date	1 091	1 124

The increase in employee benefit expenses in 2016 is mainly due to the higher number of full-time equivalents at 31 December 2016 due to the Group's expansion in France and the Netherlands. This rise 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.

Clarification of pension liabilities and pension costs

The amounts on the balance sheet are determined as follows:

IN '000 €	2016
Defined benefit plan	541
Other	3
TOTAL	544

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

The Group has three pension plans that are deemed to be pension plans with defined contributions by law. As Belgian law applies to all second pillar pension plans (the Vandenbroucke Law) all Belgian plans with defined contributions under IFRS are qualified as defined benefit plan. The Vandenbroucke Law states that, in the context of

defined contribution plans, the employer must guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions. As from 1 January 2016 these percentages were replaced by a single percentage, which will be adjusted based on market returns but will be no less than 1.75% and no more than 3.75%, which reduces the risk for the employer.

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

Up to and including the fiscal year ending on 31 December 2015 the Group applied the Intrinsic Value method, which consists of calculating the minimum guaranteed reserve for each member separately (bearing in mind 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 highest 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 below, there was no

deficit in the plans at 31 December 2015 compared to the minimum guaranteed returns on the contributions. Therefore no provision was set up at 31 December 2015.

IN '000 €	2015
Mathematical reserves	3 614
Minimum guaranteed reserves	3 336
SURPLUS	278

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

As from 2016 the Group switched from the Intrinsic Value method to the Projected Unit Credit method. This change of method is considered to be a change in estimate and recognized through unrealized results in accordance with IAS 19R.

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

IN '000 €	2016
Liability from defined benefit plan	4 185
Fair value of fund investments	-3 644
Net liability (-asset) from defined benefit plan	541

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

Actuarial assumptions

The main actuarial assumptions are:

	31 DECEMBER 2016
Weighted average discount rate	1.20% / 1.60% / 1.70%
Expected inflation	1.75%
Expected general pay rise	2.75%

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

Total comprehensive income

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

IN '000 €	31 DECEMBER 2016
Included in the income statement	
Pension costs allocated to the year of service	-301
	-301
Included in other comprehensive income	
Changes to estimates of defined benefit plans	-541
	-541
Total comprehensive income	-842

The expected pension costs from defined benefit plans for 2017 are € 0.2 million and primarily relate to allocated pension costs.

SENSITIVITY ANALYSIS

IN '000 €	31 DECEMBER 2016	
	RISE	FALL
Discount rate (1% movement)	-366	469
Future pay fluctuation (1% movement)	70	-52
Life expectancy (1% movement)	-1	1

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

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

Dutch pension plans

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. There are no guarantees with regard to return. Costs related to the Dutch pension plans were € 0.4 million in 2016 (2015: € 0.3 million).

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 €	2015	2016
Cost of sales	-32 748	-39 174
Marketing and selling expenses	-5 283	-5 349
Administrative expenses	-7 772	-7 539
TOTAL	-45 803	-52 062

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

IN '000 €	2015	2016
Cost of sales	-22 259	-25 912
Marketing and selling expenses	-613	-1 024
Administrative expenses	-700	-685
TOTAL	-23 572	-27 621

7. Finance income and expenses

FINANCE INCOME

IN '000 €	2015	2016
Interest income	66	59
Foreign exchange gains	239	106
Unwinding of non-current government grants receivable	647	622
Other	188	79
TOTAL	1 140	866

FINANCE EXPENSES

IN '000 €	2015	2016
Interest expenses	-7 056	-7 192
Foreign exchange losses	-245	-82
Other	-1 593	-1 211
TOTAL	-8 894	-8 485

The Group paid more interest in 2016 due to the prefinancing of planned expansion projects. This rise in the interest charges was partly offset by the activation of interest charges linked to construction costs for € 0.6 million.

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 2016 (2015: € 0.1 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 are recognized in the income statement using the effective interest method at € 0.2 million in 2016 (2015: € 0.2 million) and are also included in the interest expenses.

The group employs a general financing policy, so a weighted average interest rate of 3.16% is applied when activating the interest expenses of construction projects.

The other finance expenses mainly include banking costs. These also include commitment fees with regard to the credit agreement the Group refinanced in 2016 (see note 24) at € 0.3 million (2015: € 0.2 million).

8. Income tax expenses

IN '000 €	2015	2016
Current tax expenses	-17 375	-18 079
Belgian Excess Profit Ruling	-9 355	
Deferred tax expenses	1 494	1 457
TOTAL	-25 236	-16 622

On 11 January 2016, The European Commission published a decision that a purported regime of Belgian tax rulings with regard to 'Excess Profit' should be considered as illegal state aid. The European Commission's decision requires the Belgian government to assess back taxes from companies that received a tax ruling as if such a ruling did not exist. On 22 March 2016, the Belgian government appealed against the European Commission's decision before the European General Court. The appeal has no suspensive effect.

The Belgian tax authority has granted such a 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 the potential assessment of taxes on the excess profits that, following the ruling, were not taken into account in the taxable base. The amount fully covers the potential liability, including interest charges.

In June 2016, the Belgian government issued several communications, which provide information on the methodology that should be used to determine the amount of the taxes to be recovered. The € 9.4 million EPR provision complies with the methodology communicated.

Disputed assessments were established for the financial years 2012, 2013 and 2014 and € 6,3 million has been paid. A final assessment has not yet been established for the financial year 2015.

On 1 July 2016 Kinopolis Group, together with the other companies involved, appealed against the decision of the European Commission at the European Court of Justice. If the appeal of Kinopolis Group is successful, all paid amounts will be refunded to Kinopolis. The final judgment of the European Court of Justice is not expected for a few years.

Effective tax rate reconciliation

IN '000 €	2015	2016
Profit before tax	57 491	55 588
Belgian tax rate	33.99%	33.99%
Income tax using the Company's domestic tax rate	-19 541	-18 894
Belgian Excess Profit Ruling (EPR) tax	-9 355	
Effect of tax rates in foreign jurisdictions	376	585
Non-deductible expenses	-562	-497
Tax-exempt income	4 076	917
Use of unrecognized losses and tax losses for which no deferred tax asset was recognized	169	23
Under/(over) provided in prior periods	90	220
Change in tax rate in France		941
Other adjustments	-489	83
TOTAL INCOME TAX EXPENSE	-25 236	-16 622
Effective tax rate	43.90%	29.90%

The effective tax rate was 29.9% in 2016 (2015: 43.9%). Excluding the EPR tax, the effective tax rate in 2015 was 27.6%. The lower income tax was primarily due to the fall in taxable profit and lower notional interest deduction.

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

The change in the interest rate in France concerns the future reduction in the corporate income tax rate in France from 33.33% to 28%.

9. Intangible assets

IN '000 €	PATENTS AND LICENSES	OTHER	INTERNALLY GENERATED INTANGIBLE ASSETS	TOTAL
Acquisition value	8 840	1 111	1 985	11 936
Amortization and impairment losses	-5 523	-748	-1 667	-7 938
NET CARRYING AMOUNT AT 31/12/2014	3 317	363	318	3 998
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
NET CARRYING AMOUNT AT 31/12/2015	3 946	254	911	5 111
Acquisitions	1 341	94	322	1 757
Sales and disposals	-5			-5
Transfer from / to other categories	168	-31		137
Amortization	-945	-17	-138	-1 100
Acquisition value	12 165	1 236	2 938	16 339
Amortization and impairment losses	-7 660	-936	-1 843	-10 439
NET CARRYING AMOUNT AT 31/12/2016	4 505	300	1 095	5 900

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 2016 mainly concern the expenditures for the renewal of the front office software of the Group for € 0.6 million. These comprise internal hours worked for € 0.3 million and purchases from third parties for € 0.3 million.

10. Goodwill and business combinations

GOODWILL

IN '000 €	2015	2016
BALANCE AT END OF PREVIOUS PERIOD	36 116	53 256
Acquisitions through business combinations	17 340	
Adjustments to goodwill	-200	
BALANCE AT END OF CURRENT PERIOD	53 256	53 255

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

At the end of 2016, 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 2018 to 2036, based on the budget for 2017. 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 2018 to 2036 the data of the 2017 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 2018.

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 4.98% for Belgium, 4.85% for France, 4.71% for the Netherlands, 6.71% for Spain, 4.43% for Luxembourg, 7.34% for Poland and 4.34% for Switzerland (2015: 4.58% for Belgium and France, 4.62% for the Netherlands, 6.18% for Spain, 5.77% for Poland and 4.27% for Switzerland), determined on the basis of the following theoretical parameters:

	2015				2016			
	RISK-FREE INTEREST RATE	MARKET RISK PREMIUM	BETA	PROPOSED COST OF DEBT ⁽¹⁾	RISK-FREE INTEREST RATE	MARKET RISK PREMIUM	BETA	PROPOSED COST OF DEBT ⁽¹⁾
Belgium	2.17%	5.17%	1.00	4.75%	0.67%	5.33%	0.90	3.20%
France	2.17%	5.17%	1.00	4.75%	0.50%	5.33%	0.90	3.20%
Spain	5.00%	5.17%	1.16	5.71%	1.25%	5.33%	1.16	3.20%
Netherlands	2.17%	5.17%	1.00	4.61%	0.31%	5.33%	0.90	3.20%
Luxembourg					0%	5.33%	0.90	3.20%
Switzerland	2.17%	5.17%	1.00	3.60%	-0.17%	5.33%	0.90	3.20%
Poland	2.17%	5.17%	1.00	6.64%	3.35%	5.33%	0.90	3.20%

(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 5.14% for Belgium, 5.00% for France, 4.83% for the Netherlands, 6.83% for Spain, 4.57% for Luxembourg, 4.42% for Switzerland and 7.43% for Poland (2015: 5.53% for Belgium and France, 5.43% for the Netherlands, 4.72% for Switzerland, 7.30% for Spain and 6.78% 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 3.20% to 6.00% in the cost of debt before tax results in a 0.27% 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 €	2015	2016
Belgium	6 586	6 586
France	11 804	11 804
Spain	2 858	2 858
Netherlands	19 661	19 661
Luxembourg	5 845	5 844
Poland	6 502	6 502
BALANCE AT END OF CURRENT PERIOD	53 256	53 255

BUSINESS COMBINATIONS

Taking over the operation of the cinema in the Rouen Saint-Sever shopping centre

On 13 January 2016 Kinopolis Group took over the operation of the cinema located in the Saint-Sever shopping center in the heart of Rouen (Normandy, France). Previously run by UCG, the cinema has 14 screens and 2 500 seats, and welcomed more than 400 000 visitors in 2015.

The takeover of the Rouen Saint-Sever multiplex fits into Kinopolis' expansion strategy of Kinopolis. It is the first Kinopolis cinema in Normandy and the tenth in France following the takeover of a cinema near Lyon and the Utopolis cinema in Longwy in 2015.

The purchase price was € 0.4 million.

Property, plant and equipment primarily concern chairs, air conditioning and screens.

IN '000 €	ROUEN
Property, plant and equipment	440
TOTAL	440

IN '000 €	ROUEN
NET IDENTIFIABLE ASSETS AND LIABILITIES	440
Property, plant and equipment	440
REMUNERATION	440
GOODWILL	
Acquired cash	
ACQUISITION OF SUBSIDIARIES, NET OF ACQUIRED CASH, IN THE STATEMENT OF CASH FLOWS	440
TOTAL	440

Result from discontinued operations (sale of Belgian Utopolis cinemas)

Kinopolis Group NV completed the acquisition of Utopolis (Utopia SA), excluding the Belgian complexes, on 9 November 2015. The acquisition of the Belgian cinemas was subject to the approval of the Belgian Competition Authority (BCA).

On 25 March 2016 the BCA approved the acquisition of the Belgian Utopolis cinemas by Kinopolis Group, on the condition that the complexes in Mechelen and Aarschot were resold with a view to their further exploitation. Following this decision Kinopolis took over the Belgian Utopolis cinemas in Lommel, Turnhout, Mechelen and Aarschot on 14 April 2016 following the agreement signed on 9 November 2015 with the shareholders of Utopia SA, for € 24.5 million after deduction of cash acquired. Ahead of the sale of at least the complexes in Mechelen and Aarschot, exploitation at these cinemas continued under the conditions imposed by the BCA. The four Belgian cinemas were part of the legal entity Utopolis Belgium NV. Upon acquisition, this company was recognized as assets classified as held for sale.

On 30 September 2016 Kinopolis Group NV sold 100% of the shares of Utopolis Belgium NV, including the four Belgian Utopolis cinemas, to UGC.

Profit from discontinued operations is € 8.7 million.

IN '000 €	
Enterprise value	36 229
Equity value	33 000
Assets classified as held for sale after repayment of loan	26 362
Profit from the sale of Utopolis Belgium	6 638
Additional corrections (result April-July profit Utopolis, tax on statutory surplus value, repayment receivable Utopia)	2 042
Profit from discontinued operations	8 680

Basic and diluted earnings per share from discontinued operations is € 0.32.

Acquisitions in 2015

Acquisition of the French Mégaroyal complex

The Group acquired the French Mégaroyal complex in 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 price 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.

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

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).

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).

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 to third parties.

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.

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

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
TOTAL	4 567	22 785

€ 20.6 million of the property, plant and equipment of Utopolis relates 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 cinema complex in Almere (the Netherlands).

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

Goodwill calculation and reconciliation with the consolidated statement of cash flows

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

This goodwill is not tax-deductible.

Contingent considerations Wolff Bioscopen group

At 31 December 2016 the fair value of the contingent considerations with regard to the acquisition of the Wolff Bioscopen group was € 1.1 million (2015: € 1.3 million).

In 2016, € 0.2 million was paid to the former shareholders of the Wolff Bioscopen group. In 2016 there was no fair value change to the contingent considerations (2015: € 0.2 million).

The fair value of the contingent considerations was determined on the basis of the following assumption:

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

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

11. Property, plant and equipment

IN '000 €	LAND AND BUILDINGS	PLANT, MACHINERY & EQUIPMENT	ASSETS UNDER CONSTRUCTION	TOTAL
Acquisition value	351 416	198 290	1 459	551 165
Depreciation and impairment losses	-177 801	-158 029		-335 830
NET CARRYING AMOUNT AT 31/12/2014	173 615	40 261	1 459	215 335
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
NET CARRYING AMOUNT AT 31/12/2015	236 235	40 158	12 808	289 201
Acquisitions	36 053	21 046	1 043	58 142
Sales and disposals	-22	-284	-102	-408
Acquisitions through business combinations		440		440
Transfer from / to other categories	10 982	927	-12 046	-137
Depreciation	-13 716	-12 127		-25 843
Effect of exchange rate fluctuations	60	3	-1	62
Acquisition value	504 066	241 378	1 702	747 146
Depreciation and impairment losses	-234 474	-191 215		-425 689
NET CARRYING AMOUNT AT 31/12/2016	269 592	50 163	1 702	321 457

Acquisitions

The acquisitions in 2016 included the ongoing investments with regard to the building of new complexes in Dordrecht, Breda and Utrecht (the Netherlands), Nevada (Spain) and Fenouillet (France), the installation of Cosy Seating in nine cinemas and the renovation of Kinopolis Bourgoin (France), Enschede and Groningen (the Netherlands).

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 on the complex in Groningen (the Netherlands) was recognized as a financial lease. At 31 December 2016 the net carrying amount was € 8.2 million (2015: € 8.6 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 projectors were also leased.

In 2016, no new digital projectors were leased under this sale and lease-back agreement (2015: € 0.0 million). The carrying amount of these leased machines and equipment was € 2.3 million at 31 December 2016 (2015: € 4.2 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 as their carrying amount increased with the outstanding capital payment as well as a fine. At 31 December 2016 the net carrying amount of the projectors was € 0.2 million (2015: € 0.3 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 projection 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 2016 the net carrying amount of these assets was € 0.2 million (2015: € 0.3 million).

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

Acquisitions through business combinations

The acquisitions in 2016 led to an increase in property, plant and equipment of € 0.4 million (Rouen) (2015: € 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	37 655	498	38 153
Depreciation and impairment losses	-5 093	-432	-5 525
NET CARRYING AMOUNT AT 31/12/2014	32 562	66	32 628
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
NET CARRYING AMOUNT AT 31/12/2015	31 914	51	31 965
Acquisitions	67	1	68
Depreciation	-662	-15	-677
Effect of exchange rate fluctuations	-348	-1	-349
Acquisition value	37 199	481	37 680
Depreciation and impairment losses	-6 228	-445	-6 673
NET CARRYING AMOUNT AT 31/12/2016	30 971	36	31 007

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. 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 € 10.5 million (2015: € 11.2 million).

The Toison d'Or cinema building in Brussels (Belgium) has been part of the investment property (€ 13.7 million) since 2014, while the plot of land in Valencia (Spain) has been part of the investment property (€ 6.7 million) since 2015.

Rental income from investment property was € 2.1 million (2015: € 1.9 million). The direct operating charges (including repairs and maintenance) ensuing from investment property were € 0.6 million (2015: € 0.6 million).

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 (2015: € 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.

13. Deferred tax

The decrease in the deferred tax liabilities primarily relates to a decrease 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 € 7.2 million (2015: € 7.5 million), because it is improbable that sufficient taxable profits will be available in the foreseeable future to be able to benefit from the tax

gain. The tax losses carried forward can be carried forward to an unlimited degree for Belgium, France and Luxembourg.

Temporary differences for which deferred tax liabilities are recognized

In 2016 a deferred tax liability of € 1.9 million was recognized in connection with all distributable reserves in the subsidiaries of the Group (2015: € 1.9 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 €	2015			2016		
	ASSETS	LIABILITIES	DIFFERENCE	ASSETS	LIABILITIES	DIFFERENCE
Property, plant and equipment and other intangible assets	728	-23 940	-23 213	658	-22 019	-21 362
Receivable CNC government grants	1 082		1 082	735		735
Inventories	4		4	3		3
Trade and other receivables	57	-187	-130	146	-265	-119
Provisions	1 176	-209	967	1 038	-232	806
Deferred CNC government grants	842	-557	285	849	-462	387
Provisions for employee benefits				184		184
Derivative financial instruments through equity		-22	-22	113		113
Tax losses carried forward and other deferred tax assets	3 617		3 617	3 659		3 659
Trade and other payables	95		95	153	-46	107
Investments in subsidiaries		-1 881	-1 881		-1 935	-1 935
TOTAL	7 600	-26 797	-19 197	7 538	-24 960	-17 422
Tax offsetting	-6 929	6 929		-6 636	6 636	
NET DEFERRED TAX ASSETS AND LIABILITIES	670	-19 868	-19 197	902	-18 324	-17 422

Changes in deferred tax balances during the year

IN '000 €	2014	RECOGNIZED IN PROFIT AND LOSS	RECOGNIZED IN OTHER COMPREHENSIVE INCOME	ACQUISITIONS THROUGH BUSINESS COMBINATIONS	2015	RECOGNIZED IN PROFIT AND LOSS	RECOGNIZED IN OTHER COMPREHENSIVE INCOME	2016
Property, plant and equipment and other intangible assets	-17 973	2 826		-8 066	-23 213	1 851		-21 362
Receivable CNC government grants	1 249	-214		47	1 082	-347		735
Inventories	5	-1			4	-1		3
Trade and other receivables	70	-200			-130	11		-119
Provisions	-161	-29		1 157	967	-161		806
Deferred CNC government grants	220	301		-236	285	102		387
Provisions for employee benefits							184	184
Derivative financial instruments through equity	-9		-13		-22		135	113
Tax losses carried forward and other deferred tax assets	3 063	-412		966	3 617	42		3 659
Trade and other payables	88	7			95	12		107
Investments in subsidiaries	-1 099	-782			-1 881	-54		-1 935
TOTAL	-14 547	1 494	-13	-6 132	-19 197	1 457	319	-17 422

14. Inventories

IN '000 €	2015	2016
3D glasses	705	632
Goods purchased for resale in the complexes	1 779	1 753
Components inventory technical department	2 170	2 822
Other	40	85
TOTAL	4 694	5 292

The cost of sales of inventories recognized in the income statement was € 18.5 million (2015: € 17.6 million).

15. Trade receivables and other assets

Non-current other receivables

IN '000 €	2015	2016
Cash guarantees	1 051	1 175
Other receivables	10 794	10 399
TOTAL	11 845	11 574

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 €	2015	2016
Trade receivables	26 497	23 387
Taxes receivable, other than income taxes	1 421	2 254
Deferred charges and accrued income	80	78
Tax shelter receivables	168	148
Tax shelter investments	318	313
Other receivables	4 508	3 190
TOTAL	32 992	29 370

The fall in trade receivables is primarily related to Brightfish, business-to-business activities and improved follow-up.

The other current receivables primarily consist of the current portion of the French sector-related government grants (CNC) for € 2.7 million (2015: € 2.7 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 €	2015			2016		
	GROSS CARRYING AMOUNT	IMPAIRMENT	NET CARRYING AMOUNT	GROSS CARRYING AMOUNT	IMPAIRMENT	NET CARRYING AMOUNT
Not yet due on reporting date	39 120	-13	39 107	36 007	-21	35 986
Less than 30 days past due	3 837	-13	3 824	4 100	-22	4 078
Between 31 and 120 days past due	1 523	60	1 583	600	-8	592
Between 120 days and 1 year past due	718	-626	92	695	-574	121
Over 1 year past due	1 142	-910	232	1 196	-1 030	166
TOTAL	46 340	-1 502	44 838	42 598	-1 655	40 943

Movement in the allowance for impairment of trade receivables

IN '000 €	2015	2016
BALANCE AT END OF PREVIOUS PERIOD	-1 772	-1 502
Recognized impairments	-449	-580
Utilized impairments	10	297
Reversed impairments	709	125
Effect of exchange rate fluctuations		5
BALANCE AT END OF CURRENT PERIOD	-1 502	-1 655

The recognized, utilized and reversed impairments are part of the cost of sales for € -0.2 million (2015: € 0.3 million) and the marketing and selling expenses for € 0.0 million (2015: € -0.0 million).

No impairment allowance was recognized for past due amounts where 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 €	2015	2016
Current investments (less than three months)	45 000	
Cash at bank and in hand	15 432	44 244
TOTAL	60 432	44 244
Bank overdrafts considered as cash and cash equivalents in the statement of cash flows	-44	-34
CASH AND CASH EQUIVALENTS	60 388	44 210

17. Equity

The various components of equity as well as the changes between 31 December 2016 and 31 December 2015 are set out in the consolidated statement of changes in equity.

Share capital

The Company's share capital at 31 December 2016 was € 19.0 million (2015: € 19.0 million), represented by 27 365 197 ordinary shares without nominal value (2015: 27 365 197 shares). All shares are paid up in full. The share premium at 31 December 2016 was € 1.2 million (2015: € 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 shares can be bought back under this authorization. This authorization is valid for a term of five years and can be renewed. No shares were bought back in 2016 (2015: 29 339 – € 1.0 million) and 111 875 treasury shares were sold pursuant to the exercise of options for € 1.5 million (2015: 1 314 370 – € 7.1 million). Otherwise, no shares were cancelled in 2016 (2015: 0 – € 0.0 million).

At 31 December 2016 the Group held 132 346 own shares (2015: 244 221). These shares will be used for the following share option plan.

Hedging reserve

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

Translation 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 2016 no further options were allocated (2015: 111 875 options).

Dividends

On 16 February 2017 a dividend of € 23.7 million was proposed with respect to 2016 (2015: € 21.5 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 € 0.87 (2015: € 0.79). 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

IN '000 UNLESS STATED OTHERWISE	2015	2016
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	32 255	47 646
Weighted average number of ordinary shares	26 783	27 214
Effect of options	356	35
Weighted average number of diluted shares	27 139	27 249
BASIC EARNINGS PER SHARE (IN €)	1.20	1.75
DILUTED EARNINGS PER SHARE (IN €)	1.19	1.75

BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit of € 47.6 million attributable to the ordinary shareholders (2015: € 32.3 million) and a weighted average number of ordinary shares outstanding during the year of 27 214 153 (2015: 26 782 831).

DILUTED EARNINGS PER SHARE

The calculation of the diluted basic earnings per share is based on the profit of € 47.6 million attributable to the ordinary shareholders (2015: € 32.3 million) and a weighted average number of diluted ordinary shares outstanding during the year of 27 249 350 (2015: 27 138 627).

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 2016 there were no allocated options of the Share Option Plan (2015: 111 875). No options were forfeited in 2016 (2015: 0.00). 111 875 options were exercised (2015: 1 314 370). The weighted average share price at the time of exercise was € 40.98 (2015: € 35.60). No additional options were granted in 2016 (2015: 0.00).

The General Meeting approved a new share option plan on 11 May 2016. 543 304 options can be allocated under this new share option plan.

It was decided to set the exercise price at the average closing stock price of the Kinopolis share over the 30 days preceding the offer. The options will expire eight years after the date of the approval of the plan by the General Meeting.

This new share option plan was offered to the Chairman of the Board of Directors, Executive Management and eligible management staff of the Company or its subsidiaries on 29 December 2016. At 28 February 2017 a total of 396 500 options were allocated.

In the past the fair value of these share-based payments was estimated when the options were allocated, using a Trinomial (American-type call option) valuation model. For the new share option plan the fair value was determined using the Black-Scholes model.

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

AMOUNTS IN € UNLESS STATED OTHERWISE	08/2009	08/2010	03/2011	10/2011	10/2014	12/2016 ⁽²⁾
Fair value of allocated options ⁽¹⁾	1.73	2.50	2.54	2.67	4.25	7.30 / 9.71
Share price at grant date ⁽¹⁾	5.20	8.70	10.43	11.76	27.96	44.19 / 48.29
Exercise price ⁽¹⁾	3.58	7.28	9.44	11.04	25.19	41.55
Expected volatility	41%	39%	41%	29%	19%	23.43% / 23.53%
Original expected term (in years)	6	5	4	5	3	8
Expected dividend growth	10%	10%	10%	10%	2.65%	7.86%
Risk-free interest rate	3.30%	2.55%	3.16%	2.15%	0.72%	-0.14%

(1) With due consideration for the consequences of the 2014 share split

(2) Due to the evolution of the share price during the period of acceptance, two fair values were calculated for the allocated options based on above listed parameters.

The options 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 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 alloca-

tion, 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 € UNLESS STATED OTHERWISE	2015		2016	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
OUTSTANDING OPTIONS AT END OF PREVIOUS PERIOD	1 426 245	7.37	111 875	13.53
Options allocated during the year				
Options exercised during the year	-1 314 370	6.81	-111 875	13.69
Options forfeited during the year				
OUTSTANDING OPTIONS AT END OF CURRENT PERIOD	111 875	13.53		
Exercisable options at end of current period	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 €	2015	2016
Private placement of bonds	96 000	96 000
Public bond	75 000	75 000
Unguaranteed loans and borrowings with credit institutions	35 651	29 702
Leasing and similar liabilities	9 228	8 180
Transaction costs refinancing	-1 879	-1 604
TOTAL	214 000	207 278

CURRENT LOANS AND BORROWINGS

IN '000 €	2015	2016
Lease and similar liabilities	2 765	1 047
Other loans and borrowings	5 949	5 949
TOTAL	8 714	6 996

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 2016 € 35.7 million (2015: € 41.6 million) of the unguaranteed credit of a total credit agreement of € 156.6 million had been taken up.

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 2016 the outstanding Commercial Paper debt was € 0.0 million (2015: € 0.0 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 € 0.3 million and

€ 0.5 million respectively. Since 2014 no new digital projectors were purchased 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 (2015: € 0.4 million) and € 7.7 million (2015: € 8.2 million) respectively.

The lease liabilities also include the lease of digital projectors from the acquired Wolff Bioscopen group for € 0.1 million (2015: € 0.1 million) non-current and € 0.1 million (2015: € 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 (2015: € 0.1 million).

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

Future minimum lease payments

IN '000 €	2015			2016		
	PAYMENTS	INTEREST CHARGES	CAPITAL	PAYMENTS	INTEREST CHARGES	CAPITAL
Less than one year	3 132	-367	2 765	1 348	-301	1 047
Between one and five years	3 939	-1 060	2 879	3 319	-975	2 344
More than five years	7 590	-1 241	6 349	6 859	-1 023	5 836
TOTAL	14 661	-2 668	11 993	11 526	-2 299	9 227

21. Provisions

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

Unfavorable Almere lease

A € 4.7 million provision was recognized with regard to the unfavorable lease on the Utopolis cinema complex in Almere (the Netherlands) in 2015 (see note 10). At 31 December 2016 the provision was € 4.2 million.

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 2016 the provision for the demolition of the building and the reinstatement of the land to its original state was € 1.2 million (2015: € 1.2 million).

Transformation

On 31 December 2016 the provisions for the transformation of the organization were € 1.1 million (2015: € 0.7 million). In 2016 new transformation provisions were set up for € 0.8 million (2015: € 0.4 million). The use of that was € 0.3 million (2015: € 0.1 million). € 0.1 million was reversed (2015: € 0.3 million). There was no addition to the consolidation scope in 2016 (2015: 0.1 million).

Disputes

At 31 December 2016 the provision for disputes was € 0.9 million. When these provisions will be used or reversed depends on the outcome of the legal disputes concerned and is thus uncertain.

IN '000 €	2015	2016
BALANCE AT END OF PREVIOUS PERIOD	3 107	7 914
Additions of provisions	479	1 190
Discounting of provisions	38	38
Use of provisions	-256	-944
Reversal of provisions	-322	-168
Provisions from business combinations	4 868	
BALANCE AT END OF CURRENT PERIOD	7 914	8 030
Balance at end of current period (non-current)	7 161	6 664
Balance at end of current period (current)	753	1 366
TOTAL	7 914	8 030

22. Trade and other payables

NON-CURRENT OTHER PAYABLES

IN '000 €	2015	2016
Other payables	10 124	9 174
TOTAL	10 124	9 174

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 considerations.

These government grants of € 7.4 million (2015: € 8.1 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 2016 the fair value hereof was € 1.1 million (2015: € 1.3 million in current other payables). For more information about this, see notes 10 and 24.

CURRENT TRADE AND OTHER PAYABLES

IN '000 €	2015	2016
Trade payables	64 711	68 384
Employee benefits liabilities	9 276	9 004
Accrued charges and deferred income	6 160	5 830
Taxes payable, other than income taxes	5 456	5 292
Tax shelter liabilities	760	
Other payables	603	2 143
TOTAL	86 966	90 653

Accrued charges and deferred income

At 31 December 2016 the accrued interest expenses with respect to the public and private bonds issued were

€ 5.2 million (2015: € 5.2 million). The deferred income was € 0.6 million (2015: € 0.9 million).

23. Current tax liabilities

IN '000 €	2015	2016
Belgian Excess Profit Ruling (EPR) tax	9 355	3 088
Current tax liability	10 681	9 094
TOTAL	20 036	12 182

The current tax liabilities have fallen from € 20.0 million to € 12.2 million, primarily due to the partial payment

(€ 6.3 million) of the EPR of € 9.4 million (see note 8). Large prepayments were also made.

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.

At the balance sheet date the Group had a few interest rate swaps outstanding, on which the Group receives a variable interest rate equal to EURIBOR and pays a fixed interest rate. These swaps are used to cover the variability in the cash flows of the underlying loans. These interest rate swaps are determined as cash flow hedges in accordance with the IAS 39 hedge accounting. Therefore the effective portion of the change in fair value of the interest rate swap, which can be considered to be an effective hedge, is recognized directly in equity. The total changes in fair value of the interest rate swaps before deferred tax recognized in equity resulted in a decrease in equity of € 0.3 million at 31 December 2016 (2015: no outstanding interest rate swap agreements).

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 2016, after taking into account the effect of the interest rate swaps, 100% of the Group's borrowings were recognized at a fixed interest rate (2015: 82% at a fixed interest rate).

Interest rate risk sensitivity analysis

The interest-bearing loans at the balance sheet date were € 214.3 million (2015: € 222.8 million). € 35.7 million or 16% of the interest-bearing loans have a variable interest rate, without taking into account the effect of the interest rate swaps (2015: € 41.6 million or 18%).

Total interest charged to the income statement in 2016 was € 7.2 million (2015: € 7.1 million).

At the beginning of 2016 the loan of € 41.6 million with variable interest was fixed with an interest rate swap.

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).

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 extent the guarantee obligations in US Dollar entered into by Kinopolis Film Distribution NV towards Dutch Filmworks BV. At 31 December 2016 the Group had no outstanding foreign exchange forward contracts (2015: \$ 2.0 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 Złoty 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 €	2015	2016
Polish Złoty	-1 284	-1 569
Swiss Franc	1 480	1 581
TOTAL	196	12

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.

Foreign currency risk sensitivity analysis

1 EURO CORRESPONDS TO:	CLOSING RATE 31/12/2016	AVERAGE RATE 2016	THEORETICAL VOLATILITY	POSSIBLE CLOSING RATE 31/12/2016	POSSIBLE AVERAGE RATE 2016
Polish Złoty	4,4240	4,3632	20%	3.54 - 5.31	3.49 - 5.24
Swiss Franc	1,0739	1,0902	20%	0.86 - 1.29	0.87 - 1.31

The above table states the possible changes in the exchange rate for the Polish Złoty and the Swiss Franc against 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 € 0.6 million lower (2015: € 0.4 million lower) or € 0.4 million higher (2015: € 0.3 million higher) in 2016 and equity at the end of 2016 would have been € 4.7 million higher or € 3.2 million lower (2015: € 4.8 million higher or € 3.2 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 € 82.6 million at 31 December 2016 (2015: € 103.4 million).

Liquidity risk

The Group's goal is to ensure that there is sufficient financing for the long term. The financing need is determined on the basis of the strategic long-term plan. Various credit forms are used, including bonds, credit lines, bank loans and financial leases, to guarantee 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, which runs until 2017 but for which all allocated options were taken up in 2016.

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.

At the end of 2016 the Group held 132 346 treasury shares. No shares were bought back in 2016. 111 875 treasury shares were used to exercise options. The other treasury shares will be used for the following option plan.

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 2016 € 35.7 million had been taken up (2015: € 41.6 million). In May 2016 the term of the existing credit agreement for € 90.0 million was extended by one year to June 2021.

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 2016, as they were in 2015.

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 late 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 2016 € 0.9 million was outstanding (2015: € 3.1 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 2016 this debt was € 8.2 million (2015: € 8.6 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 € 0.1 million at 31 December 2016 (2015: € 0.2 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 2016 (2015: € 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 2016, including the estimated interest payments:

IN '000 €	2016			
	< 1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL
Private placement of bonds	2 743	10 974	102 001	115 718
Bond	3 443	67 279	17 148	87 871
Trade payables	68 384			68 384
Loans and borrowings with credit institutions	6 462	24 992	5 992	37 446
Lease liabilities	1 353	3 320	6 861	11 533
Contingent considerations		1 070		1 070
Third party current account payables	43			43
Bank overdrafts	34			34
Non-derivative financial liabilities	82 462	107 635	132 002	322 099
Interest rate swaps	333			333
Subtotal derivative financial instruments	333			333
TOTAL	82 795	107 635	132 002	322 432

IN '000 €	2015			
	<1YEAR	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
Bank overdrafts	43			43
Third party current account payables	43			43
Non-derivative financial liabilities	81 423	111 627	142 225	335 275
Foreign exchange forward contracts				
- Outflow	1 764			1 764
- Inflow	-1 837			-1 837
Derivative financial liabilities	-73			-73
TOTAL	81 350	111 627	142 225	335 202

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 €	2015		2016	
	TOTAL	<1YEAR	TOTAL	<1YEAR
Loans and borrowings with credit institutions	41 600	5 949	35 651	5 949
Bank overdrafts	43	43	34	34
TOTAL	41 643	5 992	35 685	5 983

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 €	2016			
	<1YEAR	1-5 YEARS	>5 YEARS	TOTAL
Interest rate swaps	5 949	23 796	5 906	35 651
TOTAL	5 949	23 796	5 906	35 651

IN '000 €	2015			
	<1YEAR	1-5 YEARS	>5 YEARS	TOTAL
Foreign currency				
Foreign exchange forward contracts	2 000			2 000

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 €	2015		2016	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Private placement of bonds – fixed interest rate	96 000	100 368	96 000	105 113
Public bond – fixed interest rate	75 000	81 622	75 000	82 340
Interest-bearing loans – variable interest rate	41 600	41 600	35 651	35 651
Lease liabilities – fixed interest rate	11 993	12 157	9 228	11 570
Bank overdrafts	43	43	34	34
Transaction costs refinancing	-1 879	-1 879	-1 605	-1 605
TOTAL	222 757	233 911	214 308	233 103

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 1.43% (2015: 2.20%) for the part of the bond with a maturity date in 2019 and 2.4% for the part of the bond with a maturity date in 2023 (2015: 3.18%).

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 1.73% (2015: 2.53%) for the bond with a term of 7 years and 1.19% (2015: 1.94%) for the part of the bond with a term of 10 years.

An interest rate of 1.86% for the leased projectors and 3.25% 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 (2015: 2.09% for the leased projectors; 3.18% 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.

IN '000 € UNLESS STATED OTHERWISE	2015		2016	
	NOMINAL VALUE IN '000 \$	FAIR VALUE	NOMINAL VALUE IN '000	FAIR VALUE
Interest rate swap			35 651	-333
Foreign currency				
Foreign exchange forward contracts	2 000	64		
TOTAL	2 000	64	35 651	-333

The fair value of financial instruments related to the interest rate is determined by discounting the expected future cash flows based on current market interest rates and the interest rate curve for the remaining life of the investment. At 31 December 2016 there were no outstanding foreign exchange forward contracts. 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 €	2015			2016		
	ASSETS	LIABILITIES	NET VALUE	ASSETS	LIABILITIES	NET VALUE
Non-current					333	-333
Current	64		64			
TOTAL	64		64		333	-333

At 31 December 2016 the fair value of the contingent considerations was € 1.1 million (2015: € 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 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			2016		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Cash flow hedging – Currency									
Foreign exchange forward contracts		27			64				
Interest rate swaps								-333	
Finance liabilities measured at fair value									
Contingent considerations			4 159			1 289			1 070
TOTAL		27	4 159		64	1 289		-333	1 070

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
BALANCE AT END OF PREVIOUS PERIOD	1 289
Paid consideration	-219
BALANCE AT END OF CURRENT PERIOD	1 070

€ 0.2 million was paid to the former shareholders of the Wolff Bioscopen group after a guarantee was obtained that operations at Cinerama Rotterdam would continue until at least 31 May 2017.

Level 3 fair value sensitivity analysis

The possible change in the significant non-observable output stated below could reasonably have the following impact on the fair value of the contingent considerations at balance sheet date:

IN '000 €	2015	2016
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 €	2015	2016
Less than one year	7 981	8 655
Between one and five years	23 969	25 764
More than five years	16 163	26 447
TOTAL	48 113	60 866
Minimum lease payments in the income statement with regard to operating leases	6 960	8 414
Contingent lease payments in the income statement with regard to operating leases	575	362

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 9 years (renewable) in Belgium, 20 years in Luxembourg, and 34 and 47 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 2016 (2015: € 0.2 million).

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

The Group also leases office space in Belgium for a remaining period of three 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 € 0.1 million in 2016 (2015: € 0.4 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 remaining term of 13 and 5 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 4 and 9 years. The rent is always fixed.

The cinema in Rouen (France) acquired in 2016 is leased for a term of 10 years (renewable). The rent is partly fixed and partly variable, based on the number of tickets sold. No variable rent was paid in 2016. The newly opened cinema complex in the Nevada shopping center in Granada (Spain) is leased for a term of 20 years (renewable for a term of five 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 €	2015	2016
Less than one year	6 613	7 802
Between one and five years	10 326	14 997
More than five years	1 177	8 133
TOTAL	18 116	30 932
Minimum lease payments in the income statement with regard to operating leases	7 007	8 031
Contingent lease payments in the income statement with regard to operating leases	529	973

The leases as lessor primarily concern the multiplex in Poznań (Poland) leased to Cinema City since January 2007 for a term of 10 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 € 0.3 million in 2016 (2015: € 0.1 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. Variable rent of € 0.0 million was charged in 2016 (2015: € 0.0 million).

The Group also leases part of its complexes to third parties for the exploitation of shops or cafes. 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 2016 the Group had material capital commitments for € 6.2 million (2015: € 24.3 million). These are commitments with regard to the construction of new cinemas

in Utrecht and 's-Hertogenbosch in the Netherlands, the construction of the complexes in France and the development of a new front office software for the Group.

27. Contingencies

KFD

At the end of 2016 the Group had contingencies for € 2.5 million (2015: € 1.1 million). These are primarily minimum guarantee commitments of Kinepolis Film Distribution NV

toward Dutch Filmworks BV for films that were not yet released, but for which contractual obligations already exist.

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 €	2015	2016
Directors		
Remuneration	366	387
Executive officers (CEOs)		
Short-term employee benefits	1 483	1 633
Share-based payments	44	
Group insurance	10	10
TOTAL	1 903	2 030

The CEOs 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 2016 (2015: € 0.4 million).

Pentascop NV provides a number of maintenance and transport services to the Group, charging a market rate of € 0.2 million in 2016 (2015: € 0.6 million). € 0.1 million had not yet been paid at the end of the year (2015: paid in full).

29. Subsequent events

Kinopolis builds new complex in 's-Hertogenbosch

Kinopolis Group has obtained all necessary permits to begin construction of a new complex in 's-Hertogenbosch (the Netherlands). The cinema will be built in the Paleisquare district and will have seven screens, with around 1 000 seats in total. Paleisquare is an inner-city district currently under development next to 's-Hertogenbosch central train station.

The cinema will be nestled among offices, apartments, a supermarket and a restaurant. Kinopolis targets 350 000 visitors per year in Den Bosch.

Construction began in March 2017 and the cinema is set to open in the spring of 2018. This is the Group's fourth Dutch new build project and the second Kinopolis complex in the province of North Brabant after Kinopolis Breda.

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 €	2015	2016
Remuneration of the statutory auditor	296	287
Other audit-related services	19	49
Tax services		
Other	20	13
Remuneration for other services or assignments performed within the Company and its subsidiaries by the statutory auditor	39	62
Remuneration for persons associated to the statutory auditor for the performance of a mandate as statutory auditor	138	304
Other audit-related services	8	
Tax services	60	33
Other		76
Remuneration for other services or assignments performed within the Company and its subsidiaries by persons associated to the statutory auditor	68	109
TOTAL	541	761

31. Group entities

List of fully consolidated companies

COUNTRY	NAME	MUNICIPALITY	VAT OR ENTERPRISE NUMBER	% 2015	% 2016
Belgium	Brightfish NV	Brussels	BE 0450 523 725	100	100
	Kinepolis Braine SA	Braine-L'Alleud	BE 0462 688 911	100	100
	Kinepolis Film Distribution (KFD) NV	Brussels	BE 0445 372 530	100	100
	Kinepolis Financial Services NV	Brussels	BE 0886 547 831	100	100
	Kinepolis Group NV	Brussels	BE 0415 928 179	100	100
	Kinepolis Immo Hasselt NV	Hasselt	BE 0455 729 358	100	100
	Kinepolis Immo Multi NV	Brussels	BE 0877 736 370	100	100
	Kinepolis Liège NV	Hasselt	BE 0459 469 796	100	100
	Kinepolis Mega NV	Brussels	BE 0430 277 746	100	100
	Kinepolis Multi NV	Kortrijk	BE 0434 861 589	100	100
	KP Immo Brussel NV	Brussels	BE 0816 884 015	100	100
	The Belux Booking Cie BVBA	Mechelen	BE 0826 444 948	100	-
	Utopia Belgium NV	Brussels	BE 0466 339 772	-	100
France	Eden Panorama SA	Lomme	FR 02340483221	100	100
	Forum Kinepolis SA	Nîmes	FR 86421038548	100	100
	Kinepolis Bourgoin SA	Bourgoin-Jallieu	FR 65779487297	100	100
	Kinepolis France SA	Lomme	FR 20399716083	100	100
	Kinepolis Film Distribution France SAS	Lomme	FR 43789848280	100	100
	Kinepolis Immo St.Julien-lès-Metz SAS	Metz	FR 51398364463	100	100
	Kinepolis Immo Thionville SA	Thionville	FR 10419162672	100	100
	Kinepolis Le Château du Cinéma SAS	Lomme	FR 60387674484	100	100
	Kinepolis Mulhouse SA	Mulhouse	FR 18404141384	100	100
	Kinepolis Nancy SAS	Nancy	FR 00428192819	100	100
	Kinepolis Prospection SAS	Lomme	FR 45428192058	100	100
	Kinepolis St. Julien-lès-Metz SA	Metz	FR 43398364331	100	100
	Kinepolis Thionville SA	Thionville	FR 09419251459	100	100
	Utopolis Longwy SAS	Longwy	FR 21432763563	100	100
Luxembourg	Utopolis Belval SA	Luxembourg	LU 220 75 333	100	100
	Majestiek International SA	Luxembourg	LU 19942206638	100	100
	Utopia SA	Luxembourg	LU 160 90 380	100	100
Netherlands	Kinepolis Booking NL BV	Utrecht	NL 822229936B01	100	-
	Kinepolis Immo BV	Utrecht	NL 003182794B01	100	100
	Kinepolis Rotterdam BV	Utrecht	NL 808810261B01	100	100
	Kinepolis Beheermaatschappij BV	Utrecht	NL 007081698B01	100	-
	Kinepolis Bioscopen Holding BV	Utrecht	NL 822624382B01	100	100
	Kinepolis Enschede BV	Utrecht	NL 808883574B01	100	100
	Kinepolis Groningen BV	Utrecht	NL 816165774B01	100	100
	Kinepolis Huizen BV	Utrecht	NL 820697230B01	100	100
	Kinepolis Exploitatie BV	Utrecht	NL 819683036B01	100	100
	Kinepolis Participatie BV	Utrecht	NL 822624357B01	100	-
	Utopia Nederland Beheer BV	Almere	NL 804687237B02	100	-
	Utopia Nederland Vastgoed BV	Almere	NL 804687237B05	100	100
	Utopia Nederland BV	Almere	NL 804687237B03	100	100
	Utrechtse Film Onderneming 'Ufio' BV	Utrecht	NL 003182812B01	100	100

COUNTRY	NAME	MUNICIPALITY	VAT OR ENTERPRISE NUMBER	% 2015	% 2016
Poland	Kinepolis Poznan S.p.z. o.o.	Poznan	NIP 5252129575	100	100
Spain	Kine Invest SA	Pozuelo de Alarcon	ESA 824 896 59	100	100
	Kinepolis España SA	Pozuelo de Alarcon	ESA 814 870 27	100	100
	Kinepolis Granada SA	Pozuelo de Alarcon	ESA 828 149 55	100	100
	Kinepolis Jerez SA	Pozuelo de Alarcon	ESA 828 149 22	100	100
	Kinepolis Madrid SA	Pozuelo de Alarcon	ESA 828 149 06	100	100
	Kinepolis Paterna SA	Pozuelo de Alarcon	ESA 828 149 14	100	100
Switzerland	Kinepolis Schweiz AG	Schaffhausen	CH 2903013216-5	100	100

CHANGES IN THE CONSOLIDATION SCOPE

New participating interests in subsidiaries

On 25 March 2016 the Belgian Competition Authority (BCA) approved the acquisition of the Belgian Utopolis cinemas by Kinepolis Group, on the condition that the complexes in Mechelen and Aarschot are sold with a view to their continued operation.

After this decision Kinepolis acquired the Belgian Utopolis cinemas in Lommel, Turnhout, Mechelen and Aarschot on 14 April 2016 under the agreement signed on 9 November 2015 with the shareholders of Utopia SA.

On 30 September 2016 Kinepolis Group NV sold the four Belgian Utopolis cinemas in Aarschot, Lommel, Mechelen and Turnhout to the French group UGC. As a result of this sale, only Utopia Belgium NV remains within the consolidation scope.

Other

The Belux Booking Cie BVBA was liquidated on 16 December 2016.

Mergers

The following companies merged with Kinepolis Bioscopen Holding BV on 22 December 2016.

- ★ Kinepolis Booking NL BV
- ★ Kinepolis Beheersmaatschappij BV
- ★ Kinepolis Participatie BV
- ★ Utopia Nederland Beheer BV

Statutory auditor's report to the general meeting of Kinopolis Group NV as of and for the year ended 31 December 2016

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 2016, 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 2016 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 503.446.(000) and the consolidated statement of profit or loss and other comprehensive income shows a profit for the year of EUR 46.750.(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) as adopted in Belgium. 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 Company'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 2016 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The board of directors is responsible for the preparation and the content of the annual 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 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, 29 March 2017

KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
Statutory Auditor
represented by

S. Cosijns
Réviseur d'Entreprises / Bedrijfsrevisor



Condensed financial statements of Kinepolis Group NV

The following information is an extract from the unconsolidated financial statements of Kinepolis Group NV, drawn up in accordance with the Belgian accounting principles. These unconsolidated financial statements, together with the management report to the General Shareholders' Meeting and the Auditor's report, will be filed with the National Bank of Belgium within the legal deadline.

It should be noted that only the consolidated financial statements as presented above give a true and fair view of the financial position and performance of Kinepolis Group NV.

Since Kinepolis Group NV is essentially a holding company that accounts for its investments at cost in its unconsolidated statements, these separate financial statements only give a limited view of the financial position of Kinepolis Group NV. 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 2016.

The statutory auditor's report on these statements is unqualified and confirms that the unconsolidated financial statements of Kinepolis Group NV, prepared in accordance with Belgian accounting principles for the year ending 31 December 2016, give a true and fair view of the financial position of Kinepolis Group NV in accordance with all legal and regulatory provisions.

The unconsolidated financial statements of Kinepolis Group NV can be obtained free of charge from the website of the Nationale Bank van België (www.nbb.be), in section 'Balanscentrale', subsection 'Jaarrekeningen raadplegen' or requested free of charge from Investor Relations.

CONDENSED UNCONSOLIDATED INCOME STATEMENT OF KINEPOLIS GROUP NV

IN '000 €	2015	2016
Non-current assets	349 766	377 933
Intangible assets	1 227	4 995
Property, plant and equipment	9 973	7 419
Financial fixed assets	338 566	365 519
Current assets	39 845	35 771
TOTAL ASSETS	389 611	413 704
Equity	67 372	69 117
Issued capital	18 952	18 952
Share premium	1 154	1 154
Legal reserve	1 895	1 895
Unavailable reserves	3 238	2 526
Available reserves	7 050	7 050
Profit carried forward	35 083	37 538
Provisions and deferred taxes	9 355	3 088
Non-current loans and borrowings	260 669	287 831
Current loans and borrowings	38 050	39 948
Accrued charges and deferred income	14 165	13 720
TOTAL EQUITY AND LIABILITIES	389 611	413 704

CONDENSED UNCONSOLIDATED BALANCE SHEET OF KINEPOLIS GROUP NV

IN '000 €	2015	2016
Operating income	85 604	86 090
Operating expenses	36 183	38 947
OPERATING PROFIT	49 420	47 143
Financial result	-7 244	-9 021
Current tax expenses	-20 263	-12 685
GAIN/(LOSS) FROM THE FINANCIAL YEAR FOR APPROPRIATION	21 913	25 437

PROFIT APPROPRIATION OF KINEPOLIS GROUP NV

IN '000 €	2015	2016
Gain/(loss) from the fiscal year for appropriation	21 913	25 437
Profit carrying forward from previous financial year	28 529	35 083
Transfer from equity:	-6 125	-711
- to the legal reserves	-6 125	-711
Profit to be carried forward	35 083	37 538
Dividend	21 484	23 693

MANDATES AND REMUNERATION OF THE STATUTORY AUDITOR OF KINEPOLIS GROUP NV

IN '000 €	2015	2016
Remuneration for the statutory auditor for the performance of a mandate as statutory auditor	167	165
Other audit-related services	6	49
Tax services		
Other	20	7
Remuneration for other services or assignments performed within the Company by the statutory auditor	26	56
Other audit-related services		
Tax services	60	33
Other		
Remuneration for other services or assignments performed within the Company by persons associated to the statutory auditor	60	33
TOTAL	253	254

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 2017-2018

<p>Wednesday</p> <p>10</p> <p>May 2017</p> <p>PUBLICATION BUSINESS UPDATE Q1 2017</p>	<p>Wednesday</p> <p>10</p> <p>May 2017</p> <p>GENERAL MEETING KINEPOLIS GROUP NV</p>	<p>Tuesday</p> <p>16</p> <p>May 2017</p> <p>DIVIDEND PAYMENT</p>
<p>Thursday</p> <p>24</p> <p>August 2017</p> <p>PUBLICATION H1 2017 RESULTS PRESENTATION TO PRESS AND ANALYSTS</p>	<p>Thursday</p> <p>16</p> <p>November 2017</p> <p>PUBLICATION BUSINESS UPDATE Q3 2017</p>	<p>Thursday</p> <p>22</p> <p>February 2018</p> <p>PUBLICATION 2017 ANNUAL RESULTS PRESENTATION TO PRESS AND ANALYSTS</p>

These dates are subject to change.

For updates of the financial calendar, please refer to the Kinopolis Investor Relations website at www.kinopolis.com/corporate.

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in French is also available online.







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