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Business Update Q1 2018

Regulatory release

9 May 2018, 7 a.m.

Business Update Q1 2018 attached.

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Q1 2018¹

In the first quarter of 2018 Kinopolis recorded a strong rise in turnover and visitor numbers compared with the same period the previous year, thanks to the expansion of the Group.

- ★ The continued implementation of the Group strategy resulted in an increased turnover per visitor in all countries and further improvement of the commercial and operational performance.
- ★ The integration of the acquired Canadian Landmark Cinemas group and the Dutch 'NH Bioscopen' cinemas has begun and is going to plan.

This resulted in:

- ★ A **rise in total revenue**, mainly due to the expansion of the Group.
- ★ A 42.1% **rise in visitor numbers** to 9.4 million, thanks to the expansion of the Group.
- ★ **Revenue from the sale of tickets, beverages and snacks increased faster than the number of visitors.**
- ★ A **rise in current² EBITDA³**, due to the rise in total revenue and a further improvement in commercial and operational performance. As expected, the addition of Canada resulted in a **lower average EBITDA per visitor**.
- ★ An **increase in net current profit**, thanks to the growth of the Group.
- ★ A **rise in net financial debt** compared with 31 December 2017 due to the acquisition of NH Bioscopen, the ongoing share buyback program and investments in new-build projects.
- ★ An **increase in free cash flow**, due among other things to the higher operating result and lower advance tax payments.

Total revenue increased, mainly thanks to the expansion of the Group, with the acquisition of the Canadian Landmark Cinemas group at the beginning of December 2017, the acquisition of NH Bioscopen on 1 January 2018 and the full opening of Kinopolis Jaarbeurs (Netherlands) in March 2017. Turnover per visitor increased in all countries and as a whole. Also, revenue from tickets, beverages and snacks (Box Office and in-theatre sales) increased faster than visitor numbers. However, total revenue increased more slowly than visitor numbers due to the addition of Canada – with a lower than average Box Office per visitor as expected – and the changed country mix. Further, revenue increased in all business lines except for Brightfish.

¹ From 1 January through 31 March. The first quarter of 2018 is compared to the first quarter of 2017.

² After eliminating non-current transactions.

³ EBITDA is not a recognized IFRS term. Kinopolis Group NV has defined this concept by adding depreciations, amortizations and provisions to the operating profit and subtracting any reversals or uses of the same items.



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Between 1 January and 31 March 2018 Kinepolis welcomed 9.4 million visitors, 42.1% more than in the same period the previous year. This increase is due to the addition of the acquired Canadian cinemas and the acquisition of NH Bioscopen. The Netherlands and Belgium experienced a strong first quarter, due to strong local films in Belgium, including 'Patser' and 'FC De Kampioenen 3', and the expansion (acquisition of NH Bioscopen and opening of Kinepolis Jaarbeurs) in the Netherlands. France and Spain experienced a less strong start to the year. Landmark Cinemas Canada accounted for 28.4% of total visitors in the first quarter, which created a significantly changed country mix.

The top 5 in the first quarter of 2018 were 'Black Panther', 'Jumanji: Welcome to the Jungle', 'Fifty Shades Freed', 'Star Wars: Episode VIII – The Last Jedi' and 'The Maze Runner: The Death Cure'. The most successful local films were 'FC De Kampioenen 3' and 'Patser' in Flanders, 'Les Tuche 3' and 'Une Jolie Ch'tite Famille' in France, 'Bankier van het Verzet' and 'Huisvrouwen bestaan niet' in the Netherlands, 'Perfectos Desconocidos' in Spain and 'Hilfe ich habe meine Eltern geschrumpft' in Luxembourg.

Visitors (in millions)	Belgium	France	Canada	Spain	Netherlands	Luxembourg	Switzerland	Total
Number of cinemas*	11	11	44	6	17	3	1	93
Q1 2018	2,41	1,93	2,66	1,06	1,04	0,25	0,03	9,38
Q1 2017	2,28	2,04	-	1,13	0,82	0,31	0,03	6,60
Q1 2018 vs Q1 2017	5,8%	-5,2%		-6,0%	26,5%	-17,8%	-3,1%	42,1%

* Operated by Kinepolis. In addition, one cinema (in Poland) is leased to third parties.

Number of cinemas at the date of publication.

Business-to-business (B2B) revenue increased strongly, due to higher revenue from the sale of vouchers, more advertising in cinemas and on screens, more partner deals and the addition of the Canadian business.

Real estate revenue also increased in the first quarter of 2018, due to more revenue from the rent of existing concessions and a higher variable rent in Poland.

The revenue of **Kinepolis Film Distribution (KFD)** also increased, due to a number of successful re-releases, such as 'Patser', 'De Buurtpolitie 2' and 'K3 Love Cruise'.

Brightfish saw its revenue fall, due to fewer events and partner deals.

Excluding the expansion, the commercial and operational performance increased further, with EBITDA per visitor also rising. **Current EBITDA** was up too, including expansion, but the addition of Canada resulted as expected in a lower average **EBITDA per visitor**.

Net financial debt increased compared with 31 December 2017 due to the acquisition of NH Bioscopen, the ongoing share buyback program and investments in new-build projects, in spite of the strong rise in free cash flow.

The rise in **free cash flow** was due to the higher operating result, lower advance tax payments and a positive working capital effect due to lower investments payments in the first quarter of 2018.



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Important events since 31 December 2017

Acquisition of NH Bioscopen in Hoofddorp and Schagen (Netherlands)

On 1 January 2018 Kinopolis Group took over the NH Bioscopen cinemas in Schagen and Hoofddorp (Netherlands). The agreement also includes a new-build project in Haarlem (Netherlands). The cinema complexes and the Haarlem new-build project were owned by Mr and Mrs Frits and Irma Nieuwenhuizen, who also operated the cinemas in Schagen and Hoofddorp. The NH Bioscopen cinema on Texel is not covered by the agreement.

The cinema in Schagen has five screens and 560 seats, welcoming some 220,000 visitors annually. The cinema in Hoofddorp has eight screens and 1100 seats, welcoming some 390,000 visitors annually. The new-build cinema in Schalkwijk, Haarlem, will have six screens and around 850 seats. Kinopolis is awaiting the required permits for this project.

The transaction has an enterprise value of € 27.5 million, including the acquisition of the debts. The acquisition will enable Kinopolis to strengthen its position on the Dutch market and offer the Kinopolis movie experience to even more visitors.

Acquisition of the Palace cinema in Metz

On 8 January 2018 Kinopolis took over the operation of the 'Palace' cinema in Metz (France). The cinema was immediately closed for a complete renovation and transformation into a new arthouse cinema. It will have seven screens and 984 seats and fits in with the joint ambition of Kinopolis and the City of Metz to bring a new, contemporary film offering to the city centre. The cinema – which will carry the name 'Klub' – is set to reopen in the summer of 2018.

Further expansion of the Canadian activities with new Landmark cinemas in Saskatoon and Calgary

Landmark Cinemas Canada, acquired by Kinopolis Group in December 2017, reached agreement at the end of January 2018 on the acquisition of the Brighton Marketplace cinema of 'Magic Lantern Theatres' in Saskatoon (Saskatchewan). Landmark Cinemas also announced a partnership with Cadillac Fairview and Ivanhoé Cambridge, two Canadian real estate companies, to open a new premium cinema in the CF Market Mall in Calgary (Alberta).

The cinema in Brighton Marketplace, the first shopping mall in Saskatoon developed by Dream Unlimited Corp, is currently under construction and will be finished by Landmark. The cinema is scheduled to open in June 2018. It will have seven screens and 780 premium recliner seats. The cinema in the CF Market Mall in Calgary is scheduled to open in 2019. It will have five screens and 619 luxurious recliner power seats, guaranteeing the residents of Calgary a premium movie-going experience.

Opening of new Landmark cinema in St. Albert

On 15 February 2018 Landmark Cinemas, in the presence of Eddy Duquenne (CEO Kinopolis Group), opened a new cinema in the Jensen Lakes Crossing area of St. Albert (Canada). The cinema has eight screens, fully equipped with Landmark's new luxurious motorized recliner seats. Jensen Lakes Crossing is a neighbourhood shopping centre where the local community will be able to enjoy an extensive range of restaurants, wide paths and squares, and entertainment.

Belgian Competition Authority confirms relaxation of behavioral conditions imposed on Kinopolis Group

Following the partial annulment last 28 February by the Court of Appeal of Brussels, of the decision taken by the Belgian Competition Authority on 31 May 2017, to relax the behavioral conditions imposed



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on Kinopolis Group as of 31 May 2019, the aforementioned Authority has taken a new, thoroughly motivated decision on 26 April 2018.

The decision confirms the previous relaxation of the behavioral conditions, which means that the opening of new cinema complexes in Belgium is no longer subject to prior approval of the Competition Authority, but this will enter into force as of 26 April 2020.

Kinopolis is pleased that the Competition Authority reaffirms its position in this matter and has confidence that this new decision will allow to finalize the procedure.

Remodeling of Kinopolis Emmen

Kinopolis Emmen officially reopened at the end of April 2018 after intensive remodeling. At the end of 2017, the Utopolis logo on the façade was replaced with the Kinopolis logo, all seats were replaced, the cash registers were upgraded, ticket machines were installed and the familiar Kinopolis self-service shop was opened. Kinopolis Emmen is the seventh Dutch cinema to bear the 'Kinopolis' name, after the renovation of Kinopolis Enschede and Groningen (formerly Wolff cinemas), Kinopolis Almere (ex-Utopolis) and the new-build cinemas in Dordrecht, Breda and at Utrecht Jaarbeurs.

New image recognition functionality in Kinopolis app

In March 2018 Kinopolis added new functionality to its Android and iOS apps – image recognition. This means that the Kinopolis app can be used to scan a film poster (at a bus stop, in a magazine, on a website or in the cinema) to display full information about the film. If the film has already been programmed, the app displays all start times at the nearest Kinopolis cinemas on the first available day. The user can also buy tickets for the presentation directly in the app. With this new functionality Kinopolis also opens a new sales channel in its cinemas for customers who decide which film they want to see when they get to the cinema. By scanning the film poster, users are just a tap away from buying tickets without having to join a queue.

Kinopolis proposes to appoint Marleen Vaesen and Sonja Rottiers as independent directors

At the Ordinary General Meeting of 9 May 2018, the Board of Directors of Kinopolis Group NV will propose to appoint Mrs Marleen Vaesen, official representative of BVBA Mavac, and Mrs Sonja Rottiers, official representative of BVBA SdL Advice, as independent directors.

Until early this year, Marleen Vaesen was CEO at Greenyard. She formerly held various international positions at Sara Lee, was General Director at Douwe Egberts Belgium and held various marketing management positions at Procter & Gamble. Sonja Rottiers has a long and extensive experience in the financial and insurance sector. She held the position of CFO at Dexia Insurance and Axa Belgium, and of CEO at Dexia Insurance and Nationale Suisse Insurance.

Joost Bert ceases to exercise his mandate as CEO and becomes chairman of the Board of Directors

After a 40-year career in the cinema sector, 20 years of which as CEO of Kinopolis Group, Mr. Joost Bert has decided to cease his mandate as CEO and will become chairman of the Board of Directors, as of the General Meeting of 9 May, 2018. This means that Mr. Eddy Duquenne, who has been joint CEO of Kinopolis Group since early 2008, will continue to run the daily management of the company as the sole CEO. Mr. Philip Ghekiere, currently chairman of the Board of Directors, will continue his role as vice-chairman of the Board of Directors.

Update share buyback program

On 22 December 2017 Kinopolis Group announced the launch of a share buyback program. Within this program, an agent has been given a discretionary mandate to buy back up to 360,000 own shares, either on the stock exchange or outside of it, between 15 January 2018 and 30 September 2018. Block trades can be considered as well during open periods.



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The share buyback will be carried out within the conditions specified in the authorization by the Extraordinary General Meeting of May 11, 2016. Under this authorization, the Board of Directors is authorized to buy back own shares, under certain conditions, to cover the 2016 Share Option plan. The timing of the buyback of shares under this program depends on a variety of factors, including market conditions. The program can be stopped at any time.

Up to and including Friday 4 May 2018, 300,620 own shares were bought back within this program.

Line-up

Current international hits are 'Avengers: Infinity War', 'Ready Player One', 'Peter Rabbit' and 'Rampage: Big Meets Bigger'. Hits in the making in the second quarter include 'Han Solo', 'Deadpool 2', 'Jurassic World: Fallen Kingdom' and 'Incredibles 2'. The local film pipeline is also promising, including 'Taxi 5' in France and Wallonia, 'Redbad' and 'Doris' in the Netherlands, and 'Niet Schieten' and 'De Collega's 2.0' in Flanders. The alternative program comprises opera, ballet, theatre, art exhibitions ('Exhibition on Screen') and concerts.

Financial calendar

Wednesday 9 May 2018
Thursday 17 May 2018
Thursday 23 August 2018
Thursday 15 November 2018

General Meeting
Dividend made available
H1 2018 figures
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About Kinopolis

Kinopolis Group NV was formed in 1997 as a result of the merger of two family-run cinema groups and was listed on the stock exchange in 1998. Kinopolis offers an innovative cinema concept which serves as a pioneering model within the industry. In addition to its cinema business, the Group is also active in film distribution, event organization, screen publicity and property management.

In Europe, Kinopolis Group NV has 50 cinemas spread across Belgium, the Netherlands, France, Spain, Luxembourg, Switzerland and Poland. Since the acquisition of the Canadian movie theatre group 'Landmark Cinemas' in December 2017, Kinopolis now also operates 44 cinemas in Canada.

In total, Kinopolis Group currently operates 94 cinemas (43 of which it owns) worldwide, with a total of 822 screens and more than 180,000 seats. Including the acquired Canadian organization, Kinopolis now employs 3,750 people, all committed to giving millions of visitors an unforgettable movie experience.