# HALF-YEARLY FINANCIAL REPORT 2021

# Kinepolis Group
## Half-yearly Financial Report 30 June 2021
Regulatory release – 19 August 2021

### Promising restart for Kinepolis Group after lengthy closures in first half-year

As a result of the Covid-19 pandemic, Kinepolis continued to be confronted with lengthy closures in the first half of 2021. Only the Spanish, Luxembourg and American cinemas were open during the first few months of the year, albeit with significant restrictions and a shortage of content. The French, Dutch and Belgian cinemas subsequently reopened at the end of May and the beginning of June. All Canadian Landmark cinemas were also allowed to reopen in mid-July.

The restart has been promising in all countries, resulting in an average visitor level of 50% in the open cinemas for the month of June, compared to the same period in 2019, which was a pre-Covid record year. In July, this rose to an average of 62% of the visitors in 2019. The picture per country differs due to the differences in vaccination coverage, the Covid figures and the Covid measures imposed, confidence among the population and the quality of the local film offer. The newly opened cinemas in Haarlem and Leidschendam (NL), Metz (FR) and SE Edmonton (CA) got off to a strong start.

The reopening was also supported by a richer film offering, with blockbusters performing well in many countries, although not yet reaching their pre-Covid potential. The extent of the impact of the Covid measures on the one part, and of the different release strategies from Hollywood studios on the other (the simultaneous or early release on Premium VOD), remains unclear for the time being.

The average revenue per visitor is significantly higher than in 2019 in almost all countries. In Luxembourg, the measures did not yet allow the shops to reopen.

Free cash flow turned positive again in the second quarter, thanks to the positive operating result in June, the partial recovery of working capital and the ongoing cost control measures. The net financial debt only increased by € 2.7 million in the second quarter, and this was due to investments in new-builds (€ 3.8 million).

Kinepolis remains financially solid, even after a year and a half of pandemic, with a comfortable liquidity position of € 141.9 million at the end of June 2021, which has since risen to € 174.3 million at the end of July. Since the beginning of 2020, € 38,3 million has been invested in new-build projects.

**Important achievements in H1 2021**

- ★ Promising restart of all cinemas after months of closure. Visitor numbers are developing positively and vary country by country (50 to 80% of visitors in 2019), due to the difference in restrictive measures, local content and consumer confidence.
- ★ Strong opening of the new complexes in Haarlem (NL), Leidschendam (NL), Metz (FR) and SE Edmonton (CA).
- ★ The execution and implementation of the Entrepreneurship plans is on track to support the Group's performance in the post-Covid era.

**Key figures H1 2021**[1] [2]

- Kinepolis welcomed 2.2 million visitors in the first half of the year, or 26.9% of the visitors in the same period in 2020.
- **Total revenue** in all countries fell less sharply than the visitor numbers.
- Thanks to the cost control measures taken, the impact on **EBITDA** remained limited, resulting in a loss of € -7.1 million. Both EBITDA and EBITDAL were positive again in the month of June.
- The **net result** amounted to € -45.8 million due to the negative operating result, as well as depreciation and financial costs, and was partly offset by the tax impact.
- **Free cash flow** averaged € -3.6 million per month in the first semester, and was positive in the second quarter.
- The **net financial debt** (NFD), excluding lease liabilities, increased from € 513.3 million to € 542.3 million compared to 31 December 2020.

**Eddy Duquenne, CEO of Kinepolis Group, regarding the first half of the year:**

"We are excited about the restart of our cinemas, which are performing strongly despite the restrictive measures, with visitor numbers developing positively week after week. In contrast to last summer, we are being helped in this by a stronger international film offer.

I hope that we can soon get past this Covid period, as a whole series of strong films are planned for the autumn, and I am excited about the plans we have developed with the teams during the pandemic period. These plans, our strong liquidity position, four newly opened complexes and, of course, our teams who have resumed their activities with a great deal of enthusiasm, allow us to continue to work on the future of Kinepolis with confidence."

[1] Figures from 1 January to 30 June 2021, in which a comparison is made with the same period in the previous year.
[2] Press release based on unaudited figures.

## Key figures

| in million € | H1 2021 | H1 2020 | % difference |
|---|---|---|---|
| **Revenue** | **36,8** | **112,6** | **-67,3%** |
| *Visitors ('000)* | *2 188* | *8 139* | *-73,1%* |
| | | | |
| **EBITDA** | **-7,1** | **16,0** | **-144,4%** |
| *EBITDA margin* | *-19,3%* | *14,2%* | *-3 348 bps* |
| *EBITDA / visitor* | *-3,24* | *1,96* | *-265,1%* |
| | | | |
| **EBITDAL** | **-24,0** | **3,2** | **-845,5%** |
| *EBITDAL margin* | *-65,2%* | *2,9%* | *-6 809 bps* |
| *EBITDAL / visitor* | *-10,97* | *0,40* | *-2 873,0%* |
| | | | |
| **EBIT** | **-48,0** | **-25,9** | **-85,5%** |
| *EBIT margin* | *-130,4%* | *-23,0%* | *-10 739 bps* |
| | | | |
| **Result** | **-45,8** | **-29,7** | **-54,3%** |
| *Result per share (in €)* | *-1,70* | *-1,10* | *-54,5%* |
| | | | |
| **Free Cash Flow** | **-21,4** | **-29,4** | **-27,3%** |

| in million € | 30/06/2021 | 31/12/2020 | % difference |
|---|---|---|---|
| Total assets | 1 166,2 | 1 168,2 | -0,2% |
| Total equity | 89,4 | 126,5 | -29,3% |
| **Net financial debt excl. lease liabilities (NFD)** | **542,3** | **513,3** | **5,7%** |

## Notes

### Visitors

Kinepolis welcomed 2.2 million visitors (-73.1%) in the first half of 2021, due to cinemas being closed for months in most countries. Only the cinemas in Luxembourg, the US and a number of Spanish provinces were open in the first quarter, and only two to five cinemas in Canada. From the end of May, the French (19 May), Dutch (5 June) and Belgian (9 June) complexes subsequently opened their doors again, and all Canadian cinemas have also reopened since mid-July. Capacity restrictions and other protective measures apply in each country. These measures have been tightened or relaxed in recent weeks, depending on the region. Last month, for example, France and Luxembourg introduced the 'pass sanitaire', a mandatory vaccination or test certificate required to gain access to our cinemas.

In this still challenging operational context, in June, Kinepolis welcomed in the cinemas that were open an average of 50% of the equivalent visitor numbers in 2019 (a pre-Covid record year) and this rose to an average of 62% in July. The percentages vary per country, from 50 to 80%, with France, the Netherlands and Belgium being the star performers.

The most successful films in the first half of 2021 were ‘The Conjuring: The Devil Made Me Do It’, ‘A Quiet Place Part II’, ‘Cruella’, ‘Godzilla vs. Kong’ and ‘Tom and Jerry’. The most successful local films were ‘K3: Dans van de Farao’ in Flanders, ‘Adieu les Cons’ and ‘30 jours max’ in France and Wallonia, ‘De Slag om de Schelde’ and ‘Bon Bini Lockdown’ in the Netherlands, ‘Hasta el cielo’ in Spain and ‘Ooops! The Adventure Continues’ in Luxembourg.

| Visitors (in millions) | Belgium | France | Canada | Spain | The Netherlands | United States | Luxembourg | Switzerland | Total |
|---|---|---|---|---|---|---|---|---|---|
| Number of cinemas* | 11 | 14 | 40 | 8 | 20 | 10 | 3 | 1 | 107 |
| **H1 2021** | **0,23** | **0,37** | **0,23** | **0,49** | **0,19** | **0,58** | **0,10** | **0,01** | **2,19** |
| **H1 2020** | **1,61** | **1,30** | **1,99** | **0,92** | **1,14** | **0,98** | **0,18** | **0,02** | **8,14** |
| **H1 2021 vs H1 2020** | **-85,7%** | **-71,6%** | **-88,4%** | **-47,3%** | **-83,4%** | **-40,7%** | **-46,2%** | **-77,3%** | **-73,1%** |

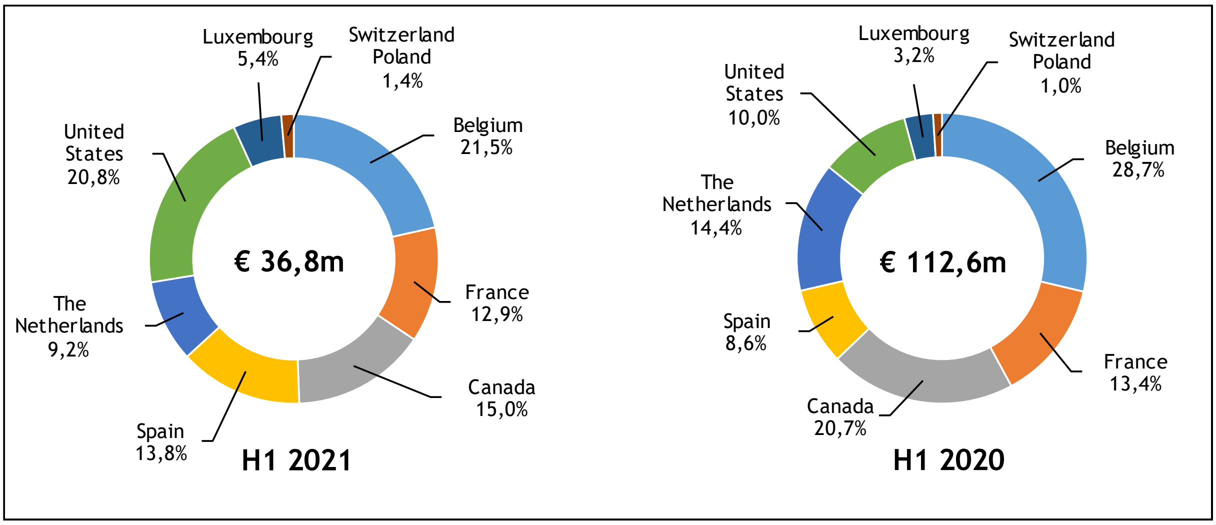
| Visitors (in millions) | Belgium | France | Canada | Spain | The Netherlands | United States | Luxembourg | Switzerland | Total |
|---|---|---|---|---|---|---|---|---|---|
| Number of cinemas* | 11 | 14 | 40 | 8 | 20 | 10 | 3 | 1 | 107 |
| **Q2 2021** | **0,23** | **0,37** | **0,19** | **0,36** | **0,19** | **0,40** | **0,05** | **0,01** | **1,79** |
| **Q2 2020** | | **0,02** | **0,01** | **0,01** | **0,07** | | **0,01** | | **0,13** |
| **Q2 2021 vs Q2 2020** | | **1 433,3%** | **1 242,9%** | **2 435,7%** | **184,8%** | | **800,0%** | **150,0%** | **1 317,5%** |

* Operated by Kinepolis. In addition, one cinema (in Poland) is leased to third parties.
Number of cinemas at 30/06/2021

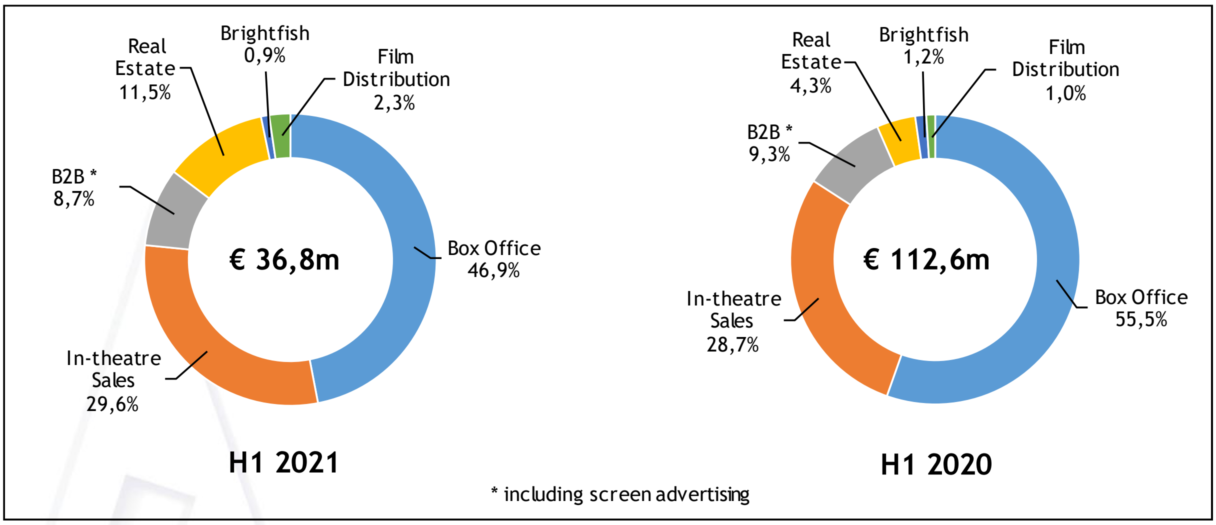
## Revenue

**Total revenue** in the first half of 2021 amounted to € 36.8 million, a decline of 67.3% compared with the same period last year, due to the drop in the number of visitors by 73.1%. Revenue per visitor increased, which resulted in a slightly less sharp decline in visitor-related revenue (sales of tickets, drinks and snacks: -70.3%). We also saw a decline in turnover in all other business lines due to the impact of the Corona crisis.

**Revenue by country**




**Revenue by activity**




**Revenue from ticket sales (Box Office, BO)** fell by 72.4%, to € 17.3 million. BO revenue per visitor increased by 2.9%. This increase was seen in all countries, thanks in part to the success of premium products (Laser ULTRA, 4DX, ScreenX, Cosy Seats, etc.).

**Revenue from the sale of drinks and snacks (In-theatre sales, ITS)** fell by 66.4%, to € 10.9 million. ITS revenue per visitor rose by 6.4%, driven by an increase in ITS sales per visitor in most countries. ITS revenue per visitor only decreased in France and Spain. There were no ITS sales in Luxembourg, as the Covid measures did not yet allow the shops to reopen.

**B2B revenue** declined by 69.2% due to the Corona crisis.

**Real estate income** decreased by 13.5% due to the loss of variable rental income, rent abatements and a decrease in both parking income and income from owned concessions. The decrease was limited, because tenants were also granted concessions in the second quarter of last year.

The turnover of **Brightfish** decreased by 76.1% and **Kinepolis Film Distribution (KFD)** saw its income decline by 23.2%.

**EBITDA**

EBITDA amounted to € -7.1 million, but a positive EBITDA of € 0.6 million was recorded in the second quarter. After adjustment for leases (EBITDAL), this amounted to € -24.0 million in the first half-year.

**Result for the period**

The net result in the first half amounted to € -45.8 million, due to the negative operating result after leases, the depreciations associated with owned real estate and financial costs, which were partly offset by tax assets for the losses carried forward.

The net financial result increased from € -13.6 million to € -13.1 million, mainly due to lower transaction costs.

The effective tax rate was 25.1%, compared with 24.9% in the same period of the previous year.

The result per share amounted to € -1.7.

**Free cash flow and net financial debt**

Free cash flow was € -21.4 million, or € 8.0 million better than in the first half of 2020, thanks to the partial recovery of working capital.

In the first half of 2021, € 7.8 million was invested in the completion and construction of new cinemas: (Leidschendam (NL), Metz Waves (FR), Metz Amphithéâtre (FR) and Edmonton Tamarack (CA)). Maintenance investments amounted to only € 0.7 million, due to the discontinuation of the maintenance programmes as a result of the pandemic.

The net financial debt, excluding lease liabilities, rose from € 513.3 million to € 542.3 million compared to 31 December 2020, due to the negative free cash flow resulting from the lengthy closures. The free cash flow was positive in the second quarter, and the debt increased by only € 2.7 million due to the investments in new complexes, amounting to € 3.8 million.

**Balance sheet**

The land and buildings (including the investment property) have a carrying amount of € 406.2 million. Non-current assets represented 94.1% of the balance sheet total as per 30 June 2021.

Equity amounted to € 89.4 million per 30 June 2021. Solvency was 7.7%.

## Major events since 1 January 2021

**Kinepolis concludes 3-year credit of € 80.0 million and extends the covenant holiday**
In order to be prepared for possible longer delays before the full resumption of its activities, Kinepolis has taken out, in early January, an additional loan of € 80.0 million with its main bankers for a period of 3 years. In this context, the banks also extended the suspension of the credit covenants ('covenant holiday') until 30 June 2022. These covenants - which include a maximum debt level - were replaced by a liquidity covenant following the extended suspension. In line with the existing bank credit facilities, the additional credit provides for a number of conditions that limit the disposal of assets, acquisitions and the payment of dividends above a financial debt level of 3.75. On account of its strong balance sheet, the rigorous cost control measures applied, the solid real estate position and the back-up of an 80% guarantee provided by Gigarant (the state guarantee fund), Kinepolis succeeded in concluding the additional credit at attractive commercial terms.

**Opening of Kinepolis Leidschendam in the ‘Westfield Mall of the Netherlands’**
Together with the reopening of the Dutch cinemas on 5 June, the brand new Kinepolis cinema in the 'Westfield Mall of the Netherlands' shopping centre in Leidschendam also opened its doors. The ‘Westfield Mall of the Netherlands’ is a project by Unibail-Rodamco-Westfield, in which the Leidsenhage shopping centre was transformed into the largest shopping centre in the Netherlands. Kinepolis Leidschendam has 11 screens, and Kinepolis expects to welcome around 500,000 visitors per year.

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

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

**Launch of ‘Kinepolis Privé’ and ‘Kinepolis Play’**
After a successful launch in its American cinemas, Kinepolis also introduced the 'private cinema' concept (known as 'Kinepolis Privé' in Europe) in its Luxembourg and Canadian theatres. ‘Kinepolis Privé’ allows film fans to book a private film screening for a group of up to 10 people. In addition, 'Kinepolis Play' was introduced in Luxembourg, France and a number of Dutch cinemas, offering gaming fans the opportunity to reserve a room to play games on the big screen, once again for a group of up to 10 people.

**Closure and sale of small Canadian cinemas**
Kinepolis has decided to close a few of its Canadian cinemas, each with only one or two screens, as the maintenance investments required are disproportionate to the contribution of these cinemas to the turnover development of the Group. Specifically, it concerns two leased Landmark cinemas, Dawson Creek (BC) and Airdrie (Alberta), and four owned Landmark cinemas, namely Yorkton (Saskatchewan), Selkirk (Manitoba) and the two cinemas located in the Yukon province. Kinepolis has started the sales process for the latter four.

## Line-up for the second half of 2021

The most popular films at the moment are ‘Fast & Furious 9’, ‘Jungle Cruise’, ‘Free Guy’, ‘The Suicide Squad’ and ‘The Boss Baby: Family Business’. The following blockbusters are due to hit cinemas in the next few months: ‘Dune’, ‘Shang-Chi and the Legend of the Ten Rings’, ‘No Time to Die’, ‘Hotel Transylvania: Transformania’, ‘The Addams Family 2’, ‘Venom 2’, ‘Ghostbusters: Afterlife’, ‘Top Gun: Maverick’ and ‘Spider-Man: No Way Home’. The local film programme includes 'Rookie' and 'Red Sandra' in Flanders, 'De Veroordeling', 'Liefde Zonder Grenzen' and 'Soof 3' in the Netherlands, 'Eiffel', 'Aline' and 'Les Tuches 4' in France and Wallonia, ‘Hilfe, ich habe meine Freunde geschrumpft’ in Luxembourg, and ‘La abuela’ and ‘La familia perfecta’ in Spain. Live opera and ballet will be complemented by art, sports and concerts.

## Financial calendar

| | |
|---|---|
| Thursday, 28 October 2021 | Business update third quarter 2021 |
| Thursday, 17 February 2022 | Annual results for 2021 |
| Thursday, 28 April 2022 | Business update first quarter 2022 |
| Wednesday, 11 May 2022 | General Meeting |

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**About Kinepolis**

Kinepolis 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. Kinepolis 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, Kinepolis Group NV has 58 cinemas spread across Belgium, the Netherlands, France, Spain, Luxembourg, Switzerland and Poland. Since the acquisition of Canadian movie theatre group Landmark Cinemas and American movie theatre group MJR Digital Cinemas, Kinepolis also operates 40 cinemas in Canada and 10 in the US.

In total, Kinepolis Group currently operates 108 cinemas worldwide, with a total of 1,097 screens and almost 200,000 seats. Kinepolis’ employees are all committed to giving millions of visitors an unforgettable movie experience. More information on www.kinepolis.com/corporate.

| CONDENSED CONSOLIDATED INCOME STATEMENT<br>IN '000 € | Note | 30/06/2021 | 30/06/2020 |
|---|---|---|---|
| Revenue | 9 | 36 786 | 112 575 |
| Cost of sales | | -80 719 | -125 403 |
| **Gross result** | | **-43 934** | **-12 828** |
| Marketing and selling expenses | | -4 479 | -7 020 |
| Administrative expenses | | -9 822 | -11 028 |
| Other operating income | 6, 12 | 10 359 | 5 078 |
| Other operating expenses | | -76 | -53 |
| **Operating result** | | **-47 952** | **-25 851** |
| Financial income | | 735 | 832 |
| Financial expenses | | -13 864 | -14 468 |
| **Result before tax** | | **-61 081** | **-39 487** |
| Income tax expenses | | 15 324 | 9 831 |
| **RESULT FOR THE PERIOD** | | **-45 757** | **-29 656** |
| Attributable to: | | | |
| Owners of the Company | | -45 641 | -29 555 |
| Non-controlling interests | | -117 | -101 |
| **RESULT FOR THE PERIOD** | | **-45 757** | **-29 656** |
| **Basic result per share (€)** | | **-1,70** | **-1,10** |
| **Diluted result per share (€)** | | **-1,68** | **-1,09** |

The notes are an integral part of the half-yearly financial report.

| CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME<br>IN '000 € | 30/06/2021 | 30/06/2020 |
|---|---|---|
| Result for the period | -45 757 | -29 656 |
| **Realised results** | **-45 757** | **-29 656** |
| | | |
| **Items to be reclassified to profit or loss if specific conditions are met in the future:** | | |
| Translation differences of intra-group non-current borrowings in foreign currencies | 6 578 | -1 875 |
| Translation differences of annual accounts in foreign currencies | 3 252 | -2 584 |
| Cash flow hedges - effective portion of changes in fair value | 29 | 40 |
| Income taxes relating to the components of other comprehensive income to be reclassified to profit or loss in subsequent periods | -1 268 | -18 |
| | | |
| **Other comprehensive income for the period, net of income taxes** | **8 591** | **-4 437** |
| | | |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **-37 167** | **-34 093** |
| | | |
| Attributable to: | | |
| Owners of the Company | -37 077 | -33 958 |
| Non-controlling interests | -90 | -135 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **-37 167** | **-34 093** |

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| CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION / ASSETS<br>IN '000 € | Note | 30/06/2021 | 31/12/2020 |
|---|---|---|---|
| Intangible assets | | 11 222 | 11 673 |
| Goodwill | 7 | 166 450 | 163 148 |
| Property, plant and equipment | | 510 249 | 521 136 |
| Right-of-use assets | 12 | 364 827 | 362 481 |
| Investment property | | 17 656 | 17 557 |
| Deferred tax assets | 13 | 20 779 | 14 778 |
| Other receivables | | 6 308 | 6 321 |
| Other financial assets | | 27 | 27 |
| **Non-current assets** | | **1 097 518** | **1 097 121** |
| Inventories | | 4 075 | 3 865 |
| Trade and other receivables | | 20 645 | 26 756 |
| Current tax assets | 13 | 16 440 | 7 431 |
| Cash and cash equivalents | | 27 363 | 33 007 |
| Assets classified as held for sale | | 174 | |
| **Current assets** | | **68 697** | **71 059** |
| **TOTAL ASSETS** | | **1 166 215** | **1 168 180** |

| CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION / EQUITY AND LIABILITIES<br>IN '000 € | Note | 30/06/2021 | 31/12/2020 |
|---|---|---|---|
| Share capital | | 18 952 | 18 952 |
| Share premium | | 1 154 | 1 154 |
| Consolidated reserves | | 77 756 | 123 640 |
| Translation reserve | | -8 392 | -17 254 |
| **Total equity attributable to owners of the Company** | | **89 470** | **126 492** |
| **Non-controlling interests** | | **-86** | **4** |
| **Total equity** | | **89 384** | **126 496** |
| Loans and borrowings | 11 | 488 459 | 469 882 |
| Lease liabilities | 12 | 364 093 | 358 317 |
| Provision for employee benefits | | 995 | 998 |
| Provisions | | 1 928 | 2 021 |
| Deferred tax liabilities | | 13 120 | 13 107 |
| Derivative financial instruments | | 58 | 87 |
| Other payables | | 6 297 | 6 356 |
| **Non-current liabilities** | | **874 950** | **850 768** |
| Bank overdrafts | | 2 | 112 |
| Loans and borrowings | 11 | 81 499 | 76 599 |
| Lease liabilities | 12 | 37 722 | 35 295 |
| Trade and other payables | | 82 395 | 78 335 |
| Provisions | | 71 | 269 |
| Current tax liabilities | | 192 | 306 |
| **Current liabilities** | | **201 881** | **190 916** |
| **TOTAL EQUITY AND LIABILITIES** | | **1 166 215** | **1 168 180** |

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| CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW<br>IN '000 € | Note | 30/06/2021 | 31/12/2020 |
|---|---|---|---|
| Result before tax | | -61 081 | -39 487 |
| Adjustments for: | | | |
| Depreciations and amortisations | | 41 219 | 40 857 |
| Provisions and impairments | | -358 | 867 |
| Government grants | | -705 | -361 |
| (Gains) Losses on disposal of right-of-use assets | | -1 | |
| (Gains) Losses on sale of property, plant and equipment | | | -13 |
| Change in fair value of derivative financial instruments and unrealised foreign exchange results | | -438 | 261 |
| Unwinding of non-current receivables and provisions | | -86 | -137 |
| Share-based payments | | 146 | 244 |
| Amortisation of refinancing transaction costs | | 306 | 255 |
| Interest expenses and income | | 12 859 | 12 557 |
| Forgiveness of lessee's lease payments | 12 | -7 387 | -3 855 |
| Change in inventories | | -171 | 934 |
| Change in trade and other receivables | | 7 426 | 31 973 |
| Change in trade and other payables | | 69 | -52 021 |
| **Cash flow from operating activities** | | **-8 201** | **-7 926** |
| Income taxes paid | | -655 | -874 |
| **Net cash flow - used in / + from operating activities** | | **-8 856** | **-8 800** |
| | | | |
| Acquisition of intangible assets | | -731 | -1 202 |
| Acquisition of property, plant and equipment and investment property | | -7 593 | -19 292 |
| Advance lease payments | 12 | -149 | -41 |
| Acquisition of subsidiaries, net of acquired cash | | | -87 |
| Proceeds from sale of investment property, intangible assets and property, plant and equipment | | | 33 |
| **Net cash flow used in investing activities** | | **-8 472** | **-20 589** |
| | | | |
| Acquisition of non-controlling interests | | -320 | |
| Investment contributions | 12 | 1 090 | 399 |
| Payment of lease liabilities incl. forgiveness of lessee's lease payments | 12 | -2 913 | -7 481 |
| Proceeds from loans and borrowings | 11 | 80 000 | 116 500 |
| Repayment of loans and borrowings | 11 | -56 500 | |
| Payment of transaction costs with regard to refinancing obligations | | -329 | -45 |
| Interest paid | | -4 809 | -3 781 |
| Interest received | | | 6 |
| Paid interest related to lease liabilities | 12 | -5 205 | -5 323 |
| Sale of treasury shares | | 229 | 478 |
| **Net cash flow - used in / + from financing activities** | | **11 242** | **100 753** |
| | | | |
| **+ INCREASE / - DECREASE IN CASH AND CASH EQUIVALENTS** | | **-6 086** | **71 364** |
| | | | |
| Cash and cash equivalents at beginning of the period | | 32 895 | 72 358 |
| Cash and cash equivalents at end of the period | | 27 361 | 143 209 |
| Effect of exchange rate fluctuations on cash and cash equivalents | | 552 | -513 |
| **+ INCREASE / - DECREASE IN CASH AND CASH EQUIVALENTS** | | **-6 086** | **71 364** |

The notes are an integral part of the half-yearly financial report.

| CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN '000 € | ATTRIBUTABLE TO OWNERS OP THE COMPANY | | | | | | NON-CONTROLLING INTERESTS | TOTAL EQUITY |
|---|---|---|---|---|---|---|---|---|
| | SHARE CAPITAL AND SHARE PREMIUM | TRANSLATION RESERVE | HEDGING RESERVE | TREASURY SHARES RESERVE | SHARE-BASED PAYMENTS RESERVE | RETAINED EARNINGS | | 2021 |
| **At 31 December 2020** | **20 106** | **-17 254** | **260** | **-22 610** | **3 445** | **142 548** | **4** | **126 496** |
| Result for the period | | | | | | -45 641 | -117 | -45 757 |
| **Realised results** | | | | | | **-45 641** | **-117** | **-45 757** |
| **Items to be reclassified to profit or loss if specific conditions are met in the future:** | | | | | | | | |
| Translation differences | | 9 803 | | | | | 27 | 9 830 |
| Cash flow hedges - effective portion of changes in fair value | | | 29 | | | | | 29 |
| Income taxes relating to the components of other comprehensive income to be reclassified to profit or loss in subsequent periods | | -941 | -7 | | | -320 | | -1 268 |
| **Other comprehensive income for the period, net of income taxes** | | **8 862** | **22** | | | **-320** | **27** | **8 591** |
| **Total comprehensive income for the period** | | **8 862** | **22** | | | **-45 961** | **-90** | **-37 167** |
| Sale of treasury shares | | | | 105 | | 124 | | 229 |
| Share-based payments | | | | | 93 | 53 | | 146 |
| Acquisition of non-controlling interests, without changes in control | | | | | | -319 | | -319 |
| **Total transactions with owners, recorded directly in equity** | | | | **105** | **93** | **-142** | | **56** |
| **At 30 June 2021** | **20 106** | **-8 392** | **282** | **-22 505** | **3 538** | **96 445** | **-86** | **89 384** |

The notes are an integral part of the half-yearly financial report.

| CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN '000 € | ATTRIBUTABLE TO OWNERS OP THE COMPANY | | | | | | NON-CONTROLLING INTERESTS | TOTAL EQUITY |
|---|---|---|---|---|---|---|---|---|
| 2020 | SHARE CAPITAL AND SHARE PREMIUM | TRANSLATION RESERVE | HEDGING RESERVE | TREASURY SHARES RESERVE | SHARE-BASED PAYMENTS RESERVE | RETAINED EARNINGS | | |
| **At 31 December 2019** | **20 106** | **-582** | **206** | **-22 830** | **3 088** | **210 985** | **281** | **211 254** |
| Result for the period | | | | | | -29 555 | -101 | -29 656 |
| **Realised results** | | | | | | **-29 555** | **-101** | **-29 656** |
| **Items to be reclassified to profit or loss if specific conditions are met in the future:** | | | | | | | | |
| Translation differences | | -4 425 | | | | | -34 | -4 459 |
| Cash flow hedges - effective portion of changes in fair value | | | 40 | | | | | 40 |
| Income taxes relating to the components of other comprehensive income to be reclassified to profit or loss in subsequent periods | | | -18 | | | | | -18 |
| **Other comprehensive income for the period, net of income taxes** | | **-4 425** | **22** | | | | **-34** | **-4 437** |
| **Total comprehensive income for the period** | | **-4 425** | **22** | | | **-29 555** | **-135** | **-34 093** |
| Sale of treasury shares | | | | 220 | | 258 | | 478 |
| Share-based payments | | | | | 132 | 112 | | 244 |
| **Total transactions with owners, recorded directly in equity** | | | | **220** | **132** | **370** | | **722** |
| **At 30 June 2020** | **20 106** | **-5 007** | **228** | **-22 610** | **3 220** | **181 800** | **146** | **177 883** |

The notes are an integral part of the half-yearly financial report.

| CONDENSED SEGMENT INFORMATION IN '000€ | BELGIUM | FRANCE | CANADA | SPAIN | THE NETHERLANDS | UNITED STATES | LUXEMBOURG | OTHERS* (POLAND AND SWITZERLAND) | NOT ALLOCATED | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | 30 June 2021 |
| Segment revenue | 6 973 | 4 746 | 5 532 | 5 089 | 3 388 | 7 660 | 1 986 | 500 | | 35 874 |
| Intersegment revenue | 913 | | | | | | | -1 | | 912 |
| **Revenue** | **7 886** | **4 746** | **5 532** | **5 089** | **3 388** | **7 660** | **1 986** | **499** | | **36 786** |
| **Segment result** | **-15 190** | **-4 087** | **-11 554** | **-3 631** | **-8 511** | **-4 505** | **-513** | **39** | | **-47 952** |
| Financial income | | | | | | | | | 735 | 735 |
| Financial expenses | | | | | | | | | -13 864 | -13 864 |
| **Result before tax** | | | | | | | | | | **-61 081** |
| Income tax expenses | | | | | | | | | 15 324 | 15 324 |
| **RESULT FOR THE PERIOD** | | | | | | | | | | **-45 757** |
| **Capital expenditure** | **900** | **4 201** | **350** | **162** | **2 359** | **117** | **235** | | | **8 324** |

| CONDENSED SEGMENT INFORMATION IN '000€ | BELGIUM | FRANCE | CANADA | SPAIN | THE NETHERLANDS | UNITED STATES | LUXEMBOURG | OTHERS* (POLAND AND SWITZERLAND) | NOT ALLOCATED | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | 30 June 2021 |
| **Segment assets** | **92 391** | **130 027** | **344 341** | **121 500** | **198 348** | **169 402** | **22 659** | **22 938** | **64 609** | **1 166 215** |
| **Segment equity and liabilities** | **46 796** | **48 613** | **254 706** | **45 308** | **38 940** | **52 483** | **6 227** | **428** | **672 714** | **1 166 215** |

* The other operating segment includes Poland and Switzerland. None of these segments met the quantitative thresholds for reportable segments in 2021.

The notes are an integral part of the half-yearly financial report.

| CONDENSED SEGMENT INFORMATION IN '000€ | BELGIUM | FRANCE | CANADA | SPAIN | THE NETHERLANDS | UNITED STATES | LUXEMBOURG | OTHERS* (POLAND AND SWITZERLAND) | NOT ALLOCATED | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | 30 June 2020 |
| Segment revenue | 20 816 | 15 100 | 23 278 | 9 660 | 16 170 | 11 299 | 3 574 | 1 162 | | 101 059 |
| Intersegment revenue | 11 545 | -20 | | | | | | -9 | | 11 516 |
| **Revenue** | **32 361** | **15 080** | **23 278** | **9 660** | **16 170** | **11 299** | **3 574** | **1 153** | | **112 575** |
| **Segment result** | **-6 964** | **-2 984** | **-9 264** | **-2 132** | **-226** | **-3 982** | **-360** | **61** | | **-25 851** |
| Financial income | | | | | | | | | 832 | 832 |
| Financial expenses | | | | | | | | | -14 468 | -14 468 |
| **Result before tax** | | | | | | | | | | **-39 487** |
| Income tax expenses | | | | | | | | | 9 831 | 9 831 |
| **RESULT FOR THE PERIOD** | | | | | | | | | | **-29 656** |
| **Capital expenditure** | **3 365** | **1 792** | **5 594** | **1 105** | **8 084** | **126** | **399** | **29** | | **20 494** |

| CONDENSED SEGMENT INFORMATION IN '000€ | BELGIUM | FRANCE | CANADA | SPAIN | THE NETHERLANDS | UNITED STATES | LUXEMBOURG | OTHERS* (POLAND AND SWITZERLAND) | NOT ALLOCATED | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | 31 December 2020 |
| **Segment assets** | **100 249** | **132 639** | **338 037** | **125 491** | **201 555** | **168 331** | **23 692** | **22 943** | **55 243** | **1 168 180** |
| **Segment equity and liabilities** | **43 070** | **47 256** | **248 042** | **45 832** | **38 830** | **51 442** | **6 812** | **307** | **686 589** | **1 168 180** |

* The other operating segment includes Poland and Switzerland. None of these segments met the quantitative thresholds for reportable segments in 2020.

The notes are an integral part of the half-yearly financial report.

| ADJUSTMENTS IN '000€ | 30/06/2021 | 30/06/2020 |
|---|---|---|
| EBITDA | -23 | -383 |
| Depreciations, amortisations and impairment losses | -919 | -253 |
| Provisions | | 128 |
| Income tax expenses | 240 | 131 |
| **Net impact of adjustments** | **-702** | **-377** |

| RECONCILIATION OF ADJUSTED RESULT IN '000€ | 30/06/2021 | 30/06/2020 |
|---|---|---|
| Operating result | -47 952 | -25 851 |
| Financial result | -13 129 | -13 636 |
| **Result before tax** | **-61 081** | **-39 487** |
| Income tax expenses | 15 324 | 9 831 |
| **Result for the period** | **-45 757** | **-29 656** |
| Net impact of adjustments | 702 | 377 |
| **Adjusted result for the period** | **-45 055** | **-29 279** |

| RECONCILIATION OF EBITDAL IN '000€ | 30/06/2021 | 30/06/2020 |
|---|---|---|
| EBITDA | -7 092 | 15 983 |
| Costs related to lease contracts (excl. rent abatements and common charges) | -16 903 | -12 764 |
| **EBITDAL** | **-23 995** | **3 219** |

| RECONCILIATION OF ADJUSTED EBITDAL IN '000€ | 30/06/2021 | 30/06/2020 |
|---|---|---|
| EBITDAL | -23 995 | 3 219 |
| Impact of adjustments on EBITDA | 23 | 383 |
| **Adjusted EBITDAL** | **-23 972** | **3 602** |

| RECONCILIATION ADJUSTED EBITDA VS EBITDA IN '000€ | 30/06/2021 | 30/06/2020 |
|---|---|---|
| Operating result | -47 952 | -25 851 |
| Depreciations and amortisations | 41 219 | 40 857 |
| Provisions and impairments | -358 | 977 |
| **EBITDA** | **-7 092** | **15 983** |
| Impact of adjustments on EBITDA | 23 | 383 |
| **Adjusted EBITDA** | **-7 069** | **16 366** |

| RECONCILIATION OF NET FINANCIAL DEBT IN '000€ | 30/06/2021 | 31/12/2020 |
|---|---|---|
| Financial debt | 971 775 | 940 204 |
| Cash and cash equivalents | -27 363 | -33 007 |
| Tax shelter investments | -304 | -304 |
| **Net financial debt** | **944 108** | **906 892** |

| RECONCILIATION OF NET FINANCIAL DEBT EXCL. LEASE LIABILITIES IN '000€ | 30/06/2021 | 31/12/2020 |
|---|---|---|
| Financial debt excl. lease liabilities | 569 959 | 546 593 |
| Cash and cash equivalents | -27 363 | -33 007 |
| Tax shelter investments | -304 | -304 |
| **Net financial debt excl. lease liabilities** | **542 293** | **513 281** |
| Impact lease liabilities | 401 815 | 393 611 |
| **Net financial debt** | **944 108** | **906 892** |

| RECONCILIATION FREE CASH FLOW IN '000€ | 30/06/2021 | 30/06/2020 |
|---|---|---|
| Cash flow from operating activities | -8 201 | -7 926 |
| Income taxes paid | -655 | -874 |
| Maintenance capital expenditures for intangible assets, property, plant and equipment and investment property | -715 | -4 459 |
| Interest paid / received | -4 809 | -3 775 |
| Payment of lease liabilities | -7 028 | -12 405 |
| **Free cash flow** | **-21 408** | **-29 439** |

| RECONCILIATION ROCE IN '000€ (last 4 quarters) | 30/06/2021 | 31/12/2020 |
|---|---|---|
| Operating result | -87 766 | -65 663 |
| Impact of adjustments on EBIT | 859 | 425 |
| **Adjusted EBIT** | **-86 907** | **-65 238** |
| Average non-current assets | 1 108 171 | 1 123 082 |
| Average deferred tax assets | -11 645 | -8 002 |
| Average assets classified as held for sale | 929 | 884 |
| Average inventories | 4 478 | 4 858 |
| Average trade receivables | 12 278 | 28 804 |
| Average trade payables | -54 981 | -82 760 |
| **Capital employed** | **1 059 230** | **1 066 866** |
| **Return on capital employed (ROCE)** | **-8,2%** | **-6,1%** |

| RECONCILIATION ROCE EXCL. IFRS 16 IN '000€ (last 4 quarters) | 30/06/2021 | 31/12/2020 |
|---|---|---|
| Operating result + IFRS 16 depreciations - costs related to lease contracts (excl. rent abatements and common charges) | -92 359 | -69 784 |
| Impact of adjustments on EBIT | 859 | 425 |
| **Adjusted EBIT excl. IFRS 16** | **-91 500** | **-69 359** |
| Average non-current assets excl. right-of-use assets | 736 039 | 743 236 |
| Average deferred tax assets excl. impact IFRS 16 | -8 752 | -7 337 |
| Average assets classified as held for sale | 929 | 884 |
| Average inventories | 4 478 | 4 858 |
| Average trade receivables | 12 278 | 28 804 |
| Average trade payables | -54 981 | -82 760 |
| **Capital employed excl. IFRS 16** | **689 991** | **687 684** |
| **Return on capital employed (ROCE) excl. IFRS 16** | **-13,3%** | **-10,1%** |

| RECONCILIATION CURRENT RATIO IN '000€ | 30/06/2021 | 31/12/2020 |
|---|---|---|
| Current assets | 68 697 | 71 059 |
| Current liabilities | 201 881 | 190 916 |
| **Current ratio** | **0,34** | **0,37** |

| RECONCILIATION CURRENT RATIO EXCL. CURRENT LEASE LIABILITIES IN '000€ | 30/06/2021 | 31/12/2020 |
|---|---|---|
| Current assets | 68 697 | 71 059 |
| Current liabilities excl. current lease liabilities | 164 159 | 155 621 |
| **Current ratio excl. current lease liabilities** | **0,42** | **0,46** |

| RECONCILIATION CAPITAL EXPENDITURE ACCORDING TO THE STATEMENT OF CASH FLOW IN '000€ | 30/06/2021 | 30/06/2020 |
|---|---|---|
| Acquisition of intangible assets | 731 | 1 202 |
| Acquisition of property, plant and equipment and investment property | 7 593 | 19 292 |
| Advance lease payments | 149 | 41 |
| Acquisition of subsidiaries, net of cash acquired | | 87 |
| Proceeds from sale of investment property, intangible assets and property, plant and equipment | | -33 |
| **Total capital expenditure according to the statement of cash flow** | **8 472** | **20 589** |

| RECONCILIATION GEARING RATIO IN '000€ | 30/06/2021 | 31/12/2020 |
|---|---|---|
| Net financial debt | 944 108 | 906 892 |
| Equity | 89 384 | 126 496 |
| **Gearing ratio** | **10,56** | **7,17** |

| RECONCILIATION GEARING RATIO EXCL. LEASE LIABILITIES IN '000€ | 30/06/2021 | 31/12/2020 |
|---|---|---|
| Net financial debt excl. lease liabilities | 542 293 | 513 281 |
| Equity | 89 384 | 126 496 |
| **Gearing ratio excl. lease liabilities** | **6,07** | **4,06** |

The notes are an integral part of the half-yearly financial report.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 2021

## 1. Information about the Company

Kinepolis Group NV (the 'Company') is a company based in Belgium. The condensed consolidated interim financial statements of Kinepolis Group NV for the period ended 30 June 2021 include the Company and its subsidiaries (together referred to as the 'Group').

The unaudited condensed consolidated interim financial statements were approved for publication by the Board of Directors on 17 August 2021.

## 2. Statement of compliance

The condensed consolidated interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with the International Financial Reporting Standard (IFRS) IAS 34 'Interim Financial Reporting', as published by the International Accounting Standards Board (IASB) and approved by the European Union. They do not contain all the information required for the financial report, and should be read in conjunction with the Group's consolidated annual report for the financial year ended 31 December 2020.

The Group's consolidated annual financial statements for the financial year 2020 are available on the corporate.kinepolis.com website, and are available free of charge from Investor Relations upon request.

## 3. Summary of the significant accounting principles

The financial accounting policies, used by the Group in these condensed consolidated interim financial statements, are in accordance with the policies applied by the Group in the consolidated annual financial statements for the financial year 2020.

The amendments to standards that were effective from 1 January 2021 have no material impact on the condensed consolidated interim financial statements for the six months ended 30 June 2021, except for the extension of the application period included in the amendment to IFRS 16.

### Amendments to standards adopted by the Group

**Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021**, issued on 31 March 2021, extends the application period of the practical expedient in IFRS 16 by one year that permits lessees not to assess whether rent concessions, that occur as a direct consequence of the Covid-19 pandemic and meet specified conditions, are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications. The original amendment was issued on 28 May 2020 to make it easier for lessees to account for Covid-19-related rent concessions, while providing information about their leases.

The amendment is effective for annual reporting periods beginning on or after 1 April 2021, with early application permitted. The amendment received a favourable advice from EFRAG. EU endorsement is expected in the coming months. The Group already applied the amendment to IFRS 16 when preparing the condensed consolidated interim financial statements as per 30 June 2021. For more information we refer to note 12.

## Amendments to standards that are not yet applied by the Group

A number of new standards, amendments to standards and interpretations are not yet effective for the annual periods ending on 31 December 2021, and have not been applied in the preparation of these condensed consolidated interim financial statements.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

**Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current**, issued on 23 January 2020, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments:

- Specify that an entity's right to defer settlement must exist at the end of the reporting period;
- Clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
- Clarify how lending conditions affect classification; and
- Clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

On July 15, 2020, the IASB issued Classification of Liabilities as Current or Non-current — Deferral of Effective Date (Amendment to IAS 1) deferring the effective date of the aforementioned amendments by one year to annual reporting periods beginning on or after 1 January 2023 with early application permitted. The amendments have not yet been endorsed by the EU.

**Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual improvements to IFRS 2018-2020**, issued on 14 May 2020, include several narrow-scope amendments which are changes that clarify the wording or correct minor oversights or conflicts between requirements in the Standards:

- **Amendments to IFRS 3 Business Combinations** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

- **Amendments to IAS 16 Property, Plant and Equipment** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets** specify which costs a company includes when assessing whether a contract will be loss-making. The amendments clarify that the 'costs of fulfilling a contract' comprise both: the incremental costs; and an allocation of other direct costs.

- **Annual amendments to IFRS Standards 2018–2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases

The amendments are effective for annual periods beginning on or after 1 January 2022 with early application permitted. These amendments have been endorsed by the EU.

**Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies**, issued on 12 February 2021, include narrow-scope amendments to improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements. The amendments to IAS 1 require companies to disclose their *material* accounting policy information rather than their *significant* accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments are effective for annual periods beginning on or after 1 January 2023 with early application permitted. These amendments have not yet been endorsed by the EU.

**Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates**, issued on 12 February 2021, clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments are effective for annual periods beginning on or after 1 January 2023 with early application permitted. These amendments have not yet been endorsed by the EU.

**Amendments to IAS 12 Income Taxes: Deferred Taxes related to Assets and Liabilities arising from a Single Transaction**, issued on 6 May 2021, clarify how companies should account for deferred taxes on transactions such as leases and decommissioning obligations. IAS 12 Income Taxes specifies how a company accounts for income taxes, including deferred taxes. In specified circumstances, companies are exempt from recognising deferred taxes when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations, transactions for which companies recognise both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognise deferred taxes on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred taxes on leases and decommissioning obligations.

The amendments are effective for annual periods beginning on or after 1 January 2023 with early application permitted. These amendments have not yet been endorsed by the EU.

## 4. Significant impact of the Covid-19 pandemic and going concern principle

As a result of the worldwide outbreak of the Corona virus, Kinepolis was forced to close most of its cinemas again in the autumn of 2020. Due to the closure of most of the locations, a large part of the revenue was lost for several months in the beginning of 2021. Only as of the months May and June 2021 most of the cinemas reopened, with varying restrictions. This has a serious impact on the Group's financial results in the first half of 2021.

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

In most countries there are restrictions on the maximum number of customers per screening as a consequence of the Covid-19 pandemic. Due to the size of the theatres and the historical occupancy rate, this is not a limitation for most of the screenings. Without additional measures, more than 80% of customers can be accommodated. By adjusting the screening hours and the programming, this percentage can even be substantially increased to above 90%.

In addition, Kinepolis is also dependent on the availability and timing of content in the short term. The cinema sector is indirectly affected by the fact that Hollywood film studios, last year and in the first months of this year, were facing a significant limitation in distribution capacity for their blockbusters, with cinemas closed in many countries until recently and major capacity restrictions applying to cinemas that are open in the rest of the world. As a result, the (theatrical) releases of almost all blockbusters were postponed to second half of 2021 and even 2022. Under 'normal' circumstances, blockbusters account for 80% of Kinepolis' admissions.

However, the willingness of customers to go to the cinema remains high. In the weeks that Kinepolis cinemas were open in the first half of the year, approximately 30% of the visitor numbers compared to 2019 were realised. In the month of June this was already 50% and in July even more than 60%. Since the end of June, Hollywood started to release its blockbusters again. In Europe the offer of local film content also supports the demand.

At the start of the crisis, Kinepolis had a strong balance sheet, sufficient financial reserves and credit lines. In order to be prepared for possible longer delays before the full resumption of its activities, Kinepolis strengthened its liquidity reserve in the beginning of January 2021 with a loan of € 80.0 million for a period of 3 years. In this context, the banks also extended the suspension of the credit covenants ('covenant holiday') until 30 June 2022.

Kinepolis has pursued a prudent financial policy in recent years. This has resulted in an average term of 4.15 years for the outstanding financial liabilities. The first major repayment of its bonds will only take place at the end of January 2022 (€ 61.4 million). For more information we refer to notes 10 and 11.

The Group continues to take measures to further reduce the impact at all cost levels, including the fixed costs and outgoing cash flows. Kinepolis has therefore sufficient liquid assets to cope with this crisis. As of 30 June 2021 the available financial resources amounted to € 141.9 million and Kinepolis can still overcome more than a year in a closed situation. At the end of July, the available financial resources already amounted to more than € 174.3 million, partly thanks to the operating result of the months June and July, a partial recovery of the working capital and a tax refund in Belgium (the so-called 'carry back' system) amounting to € 6.4 million.

During the first half of the year, there was a negative free cash flow of € -21.4 million, partly due to the large number of closed theatres in the first five months of the year and a number of one-off payments in January and February. However, this is substantially lower that the calculated cash loss in a fully closed situation (€ -5.8 million per month). In addition, a positive free cash flow of € 1.1 million was already achieved in the second quarter of 2021, thanks to strong cost management and the impact of the reopening of the cinemas in June.

Based on the availability of content in the coming years, customer demand, financial reserves, the limited negative cash flow in closed conditions, the positive free cash flow in the second quarter of 2021 and the availability of various vaccines and vaccination strategies in the various countries, Kinepolis currently sees no reason to expect that the business model will be substantially affected over the longer term.

At this time, the Group still considers the impact of the Covid-19 pandemic as a short-term impact that does not change the underlying parameters of its business model, which is why the Company adopted a going-concern principle in preparing the condensed consolidated interim financial statements.

## 5. Risks and uncertainties

There are no fundamental changes to the risks and uncertainties for the Group as set out in the 2020 Report of the Board of Directors. The information on risks and uncertainties has been included in the 2020 annual report (Part III Financial Report - Corporate Governance Statement).

As a result of the Covid-19 pandemic, Kinepolis, like many other companies, is confronted with some of these risks and uncertainties.

The absolute priority of Kinepolis has always been the health of its movie lovers and staff, and we rely on the expert advice of the competent authorities in each country regarding the conditions for reopening. In all countries, Kinepolis applies a strict safety protocol for visitors and staff, whereby respecting appropriate distances, managing visitor flows and adhering to strict hygiene rules being of utmost importance.

Kinepolis has been exposed to the Covid-19 pandemic and the consequences for the economic conditions, but the availability of new content and the timing of the film releases also play a role. Kinepolis is taking measures to further reduce the impact at all cost levels, including fixed costs, and outgoing cash flows. In addition, it tries to make its cost structure as variable as possible and is taking extensive measures to ensure internal efficiency, while closely monitoring the expenditure and margins.

## 6. Government grants and support measures as a result of the Covid-19 pandemic

As a result of the outbreak of the Covid-19 virus, the governments, in the various countries where Kinepolis is active, have taken support measures.

### DIRECTLY ATTRIBUTABLE GRANTS AND SUPPORT MEASURES

During 2021 the Group was able to make use of the system of economic unemployment in Belgium and Spain, and of the system of wage subsidies in France, the Netherlands, Luxembourg, Canada and Switzerland. In the economic unemployment system, the wage cost does not have to be paid by the Company, but is paid directly to the employee by the government. By contrast, the wage cost in the wage subsidy system is first paid by the Company, and can subsequently be reclaimed from the government entirely or in part.

In Luxembourg, the Group received an additional allowance towards wage costs when employees remained employed during the Covid-19 pandemic, in Belgium the Group obtained an allowance from the National Social Security Office for the holiday pay of white-collar workers who made use of the system of economic unemployment last year, and in Canada the Group received a rent subsidy, with part of the rent paid subsidised by the government, and obtained a compensation for energy costs.

The various support measures for a postponement of payment for, among other things, local taxes, property taxes, withholding tax and social security contributions were largely phased out by the various governments, but where possible the Group still uses the existing / remaining support measures. Furthermore, in a limited number of cases the Group has been able to make use of the full or partial waiver of certain (local) taxes.

### GENERAL GRANTS AND SUPPORT MEASURES

The general support measures include grants as a result of the forced closure, grants for significant loss of turnover and grants for the cultural sector. Per 30 June 2021, the Group included € 2.1 million in 'Other operating income'.

In the Netherlands a 'reimbursement fixed costs' was recognised per 31 December 2020 for € 1.4 million. During 2021, the Group was informed that it is not eligible for this support measure due to further clarification of the scope by the Netherlands Enterprise Agency, which meant that the Kinepolis entities had to be regarded as large companies and the allowance was reversed in the income statement. This was partly compensated by a new support measure in the Netherlands, the 'reimbursement fixed costs for large companies' for 2021, for which the Group is eligible.

The general support measures consist of:

| IN '000 € | | 30/06/2021 | 30/06/2020 |
|---|---|---|---|
| Belgium | Flemish protection mechanism | 495 | 80 |
| France | Aid for fixed costs | 1 340 | |
| France | Solidarity fund | 538 | |
| France | Remission *'taxe spéciale additionelle'* (TSA) | 23 | 651 |
| France | Others | 9 | |
| Spain | Grant for the cultural sector | 58 | |
| The Netherlands | Reimbursement fixed costs (TVL) | -834 | |
| The Netherlands | Reimbursement entrepreneurs affected sectors (TOGS) | | 40 |
| Luxembourg | Aid for costs not covered | 355 | |
| Switzerland | Others | 91 | |
| **TOTAL** | | **2 075** | **771** |

## 7. Impairment test

As a result of the worldwide outbreak of the Corona virus, Kinepolis was forced to close most of its cinemas again in the autumn of 2020. Due to the closure of most of the locations, a large part of the revenue was lost for several months in the beginning of 2021. Only as of the months May and June 2021 most of the cinemas reopened, with varying restrictions. This has a serious impact on the Group's financial results in the first half of 2021.

The strategy and nature of the Company, characterised by a maximum variability of costs, a solid real estate position, with a large proportion of cinema real estate being owned, a decentralised organisation and a 'facts-and-figures' driven corporate culture help Kinepolis Group to manage this crisis optimally.

In the short term, Kinepolis is dependent on the availability and timing of content. In addition, in most countries there are restrictions on the maximum number of customers per screening as a consequence of the Covid-19 pandemic. Due to the size of the theatres and the historical occupancy rate, this is not a limitation for most of the screenings. Without additional measures, more than 80% of customers can be accommodated. By adjusting the screening hours and the programming, this percentage can even be substantially increased to above 90%. After all, cinema activity is characterised by very volatile occupancy during the afternoons and evenings, weekdays and weekends, public holidays and holidays. An adaptation of the film programming, in which films with greater demand are programmed simultaneously in several auditoriums on peak days, and more screenings are added where necessary, allows Kinepolis to optimise the number of visitors that can be accommodated while respecting the Covid capacity limitations. It can also be expected that a customer who is confronted with a sold-out screening will choose a different screening. We should therefore be able to meet a large part of the demand, despite the imposed restrictions. This invalidates the misconception that a limitation of the seating capacity leads to a proportional reduction in the number of visitors. For example, important blockbusters, if available, can be played at the same time in several theatres of the complex in order to offer everyone the full movie experience.

The cinema sector is also indirectly affected by the fact that Hollywood film studios, last year and in the first months of this year, were facing a significant limitation in distribution capacity for their blockbusters, with cinemas closed in many countries until recently and major capacity restrictions applying to cinemas that are open in the rest of the world. As a result, the (theatrical) releases of almost all blockbusters were postponed to second half of 2021 and even 2022. Under 'normal' circumstances, blockbusters account for 80% of Kinepolis' admissions.

In the weeks that Kinepolis cinemas were open in the first half of the year, approximately 30% of the visitor numbers compared to 2019 were realised. In the month of June this was already 50% and in July even more than 60%. Since the end of June, Hollywood started to release its blockbusters again. In Europe the offer of local film content also supports the demand.

Customer satisfaction (Kinepolis conducts a continuous customer survey) is above 85%, with the 'Net Promotor Score' for Kinepolis as a 'brand' clearly higher than before the crisis. Customer research in various countries shows that consumer demand remains intact, and that the intention to visit the cinema definitely is there and will remain.

Kinepolis currently sees no reason to expect the business model to be affected in the longer term, and currently still considers the impact of the Covid-19 pandemic to be a short-term impact that does not substantially change the underlying parameters of its business model.

At the end of 2020, as is the case for every year, a review was performed to identify any indications of a possible impairment of non-financial assets. Like every year, the economic situation, the expected evolution of visitor numbers, EBITDA, the free cash flow and the components that determine the Group's weighted average cost of capital, i.e. the risk-free interest rate, the market risk premium and the cost of debt, were taken into account in this regard. However, given the health crisis caused by Covid-19, for the 2020 tests, Covid-19 was broadly identified as a potential impairment trigger for all cash-generating units and, due to the pandemic, the annual impairment exercise was extended to include additional scenario analyses on top of the 'normal' sensitivity analyses. As per 30 June 2021 this exercise was performed again, taking into account the actual results of the first half of the year and a revision of the outlook for the second half of the year for the first year of the cash flow estimation.

Each year, the data of the budget for the next year is taken as the basis for the next 20 years for all cash-generating units:

- The visitor numbers, which are the most important driver, are based on the budget for the following year that assumes a fictitious low number of visitors (-5% visitors compared to the previous year). In principle, this exercise is carried out annually, with the aim of making the Company look for measures to increase profitability, and thereby lower the break-even point. The Company does not assume that visitor numbers will decrease by 5% but, by working with this visitor evolution, the operational entities of the Group are forced to think about how they can increase the contribution per visitor and in total, in order to compensate for the difference in visitors. By also using this budget in the impairment tests, a cautious budget is therefore assumed;
- All other drivers are also based on the budget for the following year, including all the improvements and optimisations included in this, such as improvements in the product mix and the launch of new products, more efficient staff scheduling, the impact of contract negotiations with suppliers, and more;
- The EBITDA grows by 1% annually, and is applied to all countries and for each cash-generating unit. This is only intended to compensate for inflation, with the EBITDA margin remaining constant. The 1% is a conservative approach, as it is less than the long-term inflation expectation and historical evolution;
- The assumptions regarding replacement investments are based on historical ratios, and are differentiated depending on whether they refer to buildings that are owned or leased. The amounts are determined on the basis of the group guidelines, which must be followed by all countries. These amounts are increased annually by 1% for all countries.

Due to the later than expected reopening of the complexes in the second quarter of 2021 and the restrictions imposed on reopening, as of 30 June 2021 an update was performed on the impairment test of end 2020 to verify if there are indications of a possible impairment of non-financial assets. Among other things, the economic situation, the impact of the restrictions imposed after reopening, the evolution of the visitor numbers in the following months and EBITDA were taken into account.

The first scenario is the base case scenario, which takes the actual visitor numbers of the first half of 2021 into account and assumes a gradual recovery of the operating cash flow from the second half of 2021. We still assume that there will be a limited impact on the operating cash flow in 2022, with a return to the normal level of activity from 2023 onwards. This is the base case scenario used for the impairment analysis.

For 2021, we assume that the recovery in the second half of the year will gradually develop towards 50 to 70% of the pre-Covid expected visitors and EBITDA, depending on the region and taken into account the evolution of the visitor numbers during the first months after reopening in 2021. From 2022 onwards, we should develop from 80% to 100% of pre-Covid visitor numbers and EBITDA, with these assumptions being made for reasons of prudence, supplemented by the expected visitor numbers for the newly built cinemas. We assume a return to a normal activity level from 2023 onwards.

In the pessimistic scenario, which is a sensitivity analysis of the basic scenario, we also take the actual visitor numbers of the first half of 2021 into account but we assume a much slower recovery in the second half of the year, and only expect a recovery of the visitor numbers and EBITDA by the fourth quarter of 2021. As of 2022 we start and progress from 75% to 85% of pre-Covid visitor numbers, or a permanent effect of 15% on visitor numbers as a negative simulation, supplemented by the expected visitor numbers for the newly built cinemas.

As in 2019, the impact of the implementation of IFRS 16 was taken into account for the tests at the end of 2020 and June 2021, which is further explained below in the various components of the impairment test.

Due to the fact that MJR Digital Cinemas in the United States was only acquired a few months before the first Covid-19 lockdown, no improvement potential for this country was included in the budget assumptions.

<u>As a result of the impairment tests that were performed, also after the update per 30 June 2021, no impairment was identified in the base case scenario, only for the United States a limited headroom was identified.</u>

Also in the pessimistic scenario, no impairment was identified for any country, except for the United States. The test result for the United States is negative in the pessimistic scenario to an amount of USD 17.1 million. However, this does not take into account the improvement potential that still needs to be unlocked.

Management monitors the impairment tests, as always, at country level. This is also the level at which the organisation is monitored for internal control purposes.

The cash flows of the Group are generated per country:

- The programming of films and negotiations with distributors takes place at country level;
- The management structures are organised at country level;
- A large percentage of tickets are sold through the websites, which are organised at country level;
- The pricing of tickets, refreshments and snacks is set at country level;
- The film rental is negotiated at country level;
- Marketing contributions by distributors are negotiated on a country-by-country basis;
- Screen advertising is managed at country level;
- Vouchers are sold via the business-to-business sales teams. Customers use their vouchers through the central back office systems at country level;
- The business-to-business events are organised at complex and country level.

The value in use was taken into consideration when carrying out the impairment tests. The value in use was determined for all cash-generating units by discounting the future cash flows calculated over the period from 2021 to 2040, based on the 2020 budget with adjustments within the projected scenarios. However, due to the impact of IFRS 16, which applies as of 2019, the definition of future cash flows has been changed, and the starting point for determining future cash flows has been EBITDA which, due to the impact of the implementation of IFRS 16, no longer includes lease payments for leased complexes, among other things. This increases the value in use of the tested assets. To compensate for this, the lease liability arising from these payments under IFRS 16 was deducted from the value in use in the impairment calculations. The future cash flows are calculated over a period of 20 years, as the Group owns a large part of its real estate and is therefore assured of long-term exploitation. The calculation of the lease liability must be based on the remaining lease term, including any extensions. In the case of the calculation of the lease liability starting from a term different to the assumed 20 years, the calculation of the lease liability was adjusted to 20 years.

The impact of IFRS 16 was also taken into account in determining the carrying amount of the non-financial assets or the carrying amount of the cash-generating units, with the right-of-use assets and the lease liabilities being part of the carrying amount.

A terminal value after 20 years is not taken into account, in exchange for this, the net book value of the country is not included in the test.

The projections are performed in the functional currency of the relevant country and discounted at the weighted average cost of the country's capital. The implementation of IFRS 16 required a more diversified approach to the proposed weighted average cost of capital at country level as, from 2019, the debt will also include the lease liabilities of the country, and future cash flows will be discounted at the weighted average cost of capital, while right-of-use assets are calculated on the basis of a discount rate. In order to align this, the country-specific debt / equity ratio was taken into account when calculating the weighted average cost of capital at country level, with the debt capital also including the lease liability of the country. The proposed weighted average cost of capital is 6.34% for Belgium, 6.06% for France, 3.98% for Canada, 5.37% for Spain, 6.00% for the Netherlands, 5.37% for the United States, 6.35% for Luxembourg, 6.53% for Switzerland and 6.80% for Poland and was determined on the basis of the following theoretical parameters:

| | 31/12/2020 & 30/06/2021 | | | | | |
|---|---|---|---|---|---|---|
| | RISK-FREE INTEREST RATE | MARKET RISK PREMIUM | BETA | PROPOSED COST OF DEBT (1) | COST OF OWN EQUITY | DEBT CAPITAL / EQUITY |
| Belgium | 0.75% | 6.88% | 1.13 | 2.70% | 8.50% | 33.37% |
| France | 0.75% | 6.88% | 1.13 | 2.70% | 8.50% | 37.50% |
| Canada | 0.75% | 6.88% | 1.13 | 2.70% | 8.50% | 69.57% |
| Spain | 0.75% | 6.88% | 1.13 | 2.70% | 8.50% | 48.32% |
| The Netherlands | 0.75% | 6.88% | 1.13 | 2.70% | 8.50% | 38.60% |
| United States | 0.80% | 6.88% | 1.13 | 2.70% | 8.55% | 48.62% |
| Luxembourg | 0.75% | 6.88% | 1.13 | 2.70% | 8.50% | 33.27% |
| Switzerland | 0.75% | 6.88% | 1.13 | 2.70% | 8.50% | 31.82% |
| Poland | 1.20% | 6.88% | 1.13 | 2.70% | 8.95% | 31.82% |

*(1) Before tax*

The debt to equity ratio is differentiated by country due to the impact of lease liabilities under IFRS 16 at country level. Equity is based on the enterprise value of the Company, and not on the consolidated equity. The parameters for the weighted average cost of the capital are tested annually on the basis of the assumptions used by the analysts who follow the Group’s share, while also taking into account the specific circumstances of each country. The market risk premium and the beta were based on the average used by the analysts. The risk-free interest rate was also based on the analysts’ average except when the country’s risk-free interest rate was higher, as in Poland and the United States. In this way, the calculation of the weighted average cost of capital was aligned to a significant extent with the analysts’ calculation and an extra margin was also added.

The calculation of the weighted average cost of capital has not been adjusted compared to the calculation at year-end 2020. The weighted average cost of capital before tax is 6.56% for Belgium, 6.32% for France, 4.46% for Canada, 5.70% for Spain, 6.26% for the Netherlands, 5.70% for the United States, 6.57% for Luxembourg, 6.65% for Switzerland and 6.96% for Poland. These percentages before taxes do not deviate substantially from the iterative calculation.

Sensitivity analyses were also performed with regard to the various parameters used for the weighted average cost of capital. Due to the Covid-19 pandemic, the impairment test (the base case scenario) was expanded to include an additional sensitivity analysis, more specifically, the pessimistic scenario, just like in the financial year 2020.

In one of the analyses in the base case scenario, the cost of debt used was increased from 2.70% to 5.50% and as such, more than doubled, which would lead to an increase in the weighted average cost of the capital that varies between 70 base points and 145 base points. This could only give rise to a possible impairment in one country, namely the United States, to an amount of USD 9.7 million. In all other countries, an increase in the cost of debt to 5.50% does not pose a problem.

In the pessimistic scenario, a slight increase in the cost of debt used from 2.70% to 4.50% in one of the analyses results in an additional impairment in Canada of CAD 9.1 million, in addition to the possible impairment in the United States. In the pessimistic scenario, a change in the cost of debt from 2.70% to 4.50% leads to an increase in the impairment of the United States from USD 17.1 million to USD 26.2 million.

Management believes that the assumptions used in the impairment tests provide the best estimates of future developments, and believes that no reasonably possible change in any of the key assumptions would lead to a carrying amount of the cash-generating units that would materially exceed their recoverable amount, with the exception of the United States in the pessimistic sensitivity analysis. As a result of the impairment tests that were performed, no impairment was identified, only for the United States a limited headroom was identified.

## 8. Segment information

We refer to the separate table

## 9. Revenue

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

| IN '000 € | 30/06/2021 | 30/06/2020 |
|---|---|---|
| Box Office | 17 265 | 62 444 |
| In-theatre Sales | 10 883 | 32 353 |
| Business-to-Business | 3 199 | 10 395 |
| Brightfish | 332 | 1 387 |
| Film distribution | 856 | 1 115 |
| Technical department | 31 | 5 |
| **TOTAL IFRS 15** | **32 566** | **107 699** |
| Real estate | 4 220 | 4 876 |
| **TOTAL** | **36 786** | **112 575** |

## 10. Liquidity risk

The Group's goal is to ensure that there is sufficient financing for the long term. The financing need is determined on the basis of the strategic long-term plan. Various credit forms are used to guarantee the continuity and flexibility of the financing, including bonds, credit lines and bank loans. The Group's liquidity is managed through the in-house bank, Kinepolis Financial Services NV.

The strategy and nature of the Company, characterised by a maximum variability of costs, a solid real estate position, with a large proportion of cinema real estate being owned, a self-learning organisation and a 'facts-and-figures'-driven corporate culture, have helped Kinepolis to respond quickly and decisively to the current crisis. The Group has taken various measures in recent months, to protect its customers, employees and the Company, in the light of the Covid-19 pandemic and the measures taken by the authorities.

Kinepolis has made every effort to adjust its costs as much as possible and in the very short term to the impact of the Covid-19 virus on its activities. The measures taken include a drastic scaling back of the number of active employees, thereby drawing on the support measures in each country, both in cinemas and at the support services level in the national and international headquarters. In addition, various measures were taken to limit the cash burn, such as negotiations with suppliers and the owners of leased cinemas with a view to obtaining financial compensations as a result of the limitation or closure of the activities, as well as the maximum postponement of all investments, except for the new-build projects already in progress.

Kinepolis Group had € 171.0 million in liquidity at the start of 2021, consisting of cash and cash equivalents and available credit lines, including the new € 80.0 million credit concluded at the beginning of January 2021. In order to be prepared for possible longer delays before the full resumption of its activities, Kinepolis has taken out an additional loan of € 80.0 million with its main bankers for a period of 3 years, with a variable interest rate. On account of its strong balance sheet, the rigorous cost control measures applied, the solid real estate position and the back-up of an 80% state guarantee provided in Belgium by Gigarant, Kinepolis has succeeded in concluding the additional credit at attractive commercial terms.

Strong cost management, supported by the significant real estate position of the Group, ensures that Kinepolis can confidently navigate through the crisis and continue to cope with the negative effects of the Covid-19 pandemic for a considerable period of time. In this context, the banks also extended the suspension of the credit covenants ('covenant holiday') until 30 June 2022. A suspension until 30 June 2021 had already been obtained in 2020.

Thanks to the measures taken, Kinepolis therefore has sufficient liquidity to deal with this crisis. Kinepolis has pursued a prudent financial policy in recent years. This has resulted in an average term of 4.15 years for the outstanding financial liabilities. The first major repayment of its bonds will only take place at the end of January 2022 (€ 61.4 million).

The Group continues to take measures to further reduce the impact at all cost levels, including the fixed costs and outgoing cash flows. As of 30 June 2021 the available financial resources amounted to € 141.9 million and Kinepolis can still overcome more than a year in a closed situation. At the end of July, the available financial resources already amounted to more than € 174.3 million, among other thanks to the operating result of the months June and July, a partial recovery of the working capital and a tax refund in Belgium (the so-called 'carry back' system) amounting to € 6.4 million.

## 11. Financial instruments

### FINANCIAL LIABILITIES - FUTURE CASH FLOWS

The following table gives an overview of the contractual maturities for the non-discounted financial liabilities at 30 June 2021, including the estimated interest payments:

| IN '000 € | | | | 30/06/2021 |
|---|---|---|---|---|
| | < 1 YEAR | 1-5 YEAR | > 5 YEAR | TOTAL |
| Private placement of bonds | 73 656 | 137 032 | 299 958 | 510 646 |
| Public bond | 635 | 16 513 | | 17 148 |
| Trade payables | 53 611 | | | 53 611 |
| Loans and borrowings with credit institutions(1) | 21 693 | 92 744 | | 114 437 |
| Bank overdrafts | 2 | | | 2 |
| **Non-derivative financial liabilities** | **149 597** | **246 289** | **299 958** | **695 844** |
| Interest rate swaps | | 58 | | 58 |
| **Derivative financial instruments** | | **58** | | **58** |
| **TOTAL** | **149 597** | **246 347** | **299 958** | **695 902** |

(1) The roll-over credit, with an outstanding draw of € 10.0 million per 30 June 2021 is presented as current. This does not concern an actual payment obligation as the credit can be redrawn again.

The following table gives an overview of the contractual maturities for the non-discounted financial liabilities at 31 December 2021, including the estimated interest payments:

| IN '000 € | | | | 31/12/2020 |
|---|---|---|---|---|
| | < 1 YEAR | 1-5 YEAR | > 5 YEAR | TOTAL |
| Private placement of bonds | 12 256 | 201 176 | 299 958 | 513 390 |
| Public bond | 635 | 17 148 | | 17 783 |
| Trade payables | 56 607 | | | 56 607 |
| Loans and borrowings with credit institutions(1) | 77 454 | 10 360 | | 87 814 |
| Bank overdrafts | 112 | | | 112 |
| **Non-derivative financial liabilities** | **147 064** | **228 684** | **299 958** | **675 706** |
| Interest rate swaps | | 87 | | 87 |
| **Derivative financial instruments** | | **87** | | **87** |
| **TOTAL** | **147 064** | **228 771** | **299 958** | **675 793** |

(1) The roll-over credit, with an outstanding draw of € 66.5 million per 31 December 2020 is presented as current. This does not concern an actual payment obligation as the credit can be redrawn again.

Per 30 June 2021, there was an outstanding draw for € 10.0 million on an existing Group credit facility with a variable interest rate of 1.75%.

Kinepolis is only required to comply with conditions relating to, among others, the maximum debt ratio (covenants) on its bank debt. This relates to the roll-over credit of € 120.0 million (€ 10.0 million drawn) and a term loan of € 20.3 million per 30 June 2021. The new credit taken out, at the beginning of January 2021, for an amount of € 80.0 million is also covered by these covenants. No covenants apply to most of the other liabilities. There is only an increase in interest on the private placement of 2019 if a specific debt ratio is exceeded.

As a result of the Covid-19 pandemic, Kinepolis has reached an agreement with its financial institutions to allow a suspension of the credit covenants ('covenant holiday') until 30 June 2022. This means that, among other things, the conditions relating to the maximum debt ratio in relation to the EBITDAL, being EBITDA adjusted for rent, will be temporarily suspended until the half-year figures of 30 June 2022. These conditions, which only apply to bank debt, will be replaced by, among other things, a liquidity covenant, which means that the sum of the available cash and confirmed credit lines must be at least € 30.0 million during the term of this 'covenant holiday'. In line with the existing bank credit facilities, the additional credit of € 80.0 million provides for a number of conditions that limit the disposal of assets, acquisitions and the payment of dividends above a financial debt level of 3.75.

## FAIR VALUE

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

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

| IN '000 € | 30/06/2021 | | 31/12/2020 | |
|---|---|---|---|---|
| | CARRYING AMOUNT | FAIR VALUE | CARRYING AMOUNT | FAIR VALUE |
| Private placement of bonds – fixed interest rate | 446 000 | 446 000 | 446 000 | 446 000 |
| Public bond – fixed interest rate | 15 878 | 15 878 | 15 878 | 15 878 |
| Interest-bearing loans – variable interest rate | 110 256 | 110 256 | 86 756 | 86 756 |
| Bank overdrafts | 2 | 2 | 112 | 112 |
| Transaction costs refinancing | -2 177 | -2 177 | - 2 153 | - 2 153 |
| **TOTAL** | **569 959** | **569 959** | **546 593** | **546 593** |

Per 30 June 2021 and 31 December 2020 the fair value is in line with the carrying amount given the illiquidity of the market. This was also reflected in the attractive commercial terms of the new loan of € 80.0 million at the beginning of January 2021.

The fair value of the other non-derivative financial assets and liabilities, except lease liabilities, (measured at amortised cost) is equal to the carrying amount.

# 12. Leases

## LEASES AS LESSEE

### RIGHT-OF-USE ASSETS

| IN '000 € | LAND & BUILDINGS | CARS | IN-THEATRE SALES | PROJECTION EQUIPMENT | TOTAL |
|---|---|---|---|---|---|
| Acquisition value | 404 582 | 5 120 | 958 | 3 554 | 414 214 |
| Depreciations and impairment losses | -48 006 | -2 451 | -466 | -810 | -51 733 |
| **NET CARRYING AMOUNT AT 31/12/2020** | **356 576** | **2 669** | **492** | **2 744** | **362 481** |
| New leases | | 79 | 29 | 149 | 257 |
| Adjustments | 932 | 570 | | | 1 502 |
| Depreciations | -12 645 | -686 | -135 | -261 | -13 727 |
| Effect of exchange rate fluctuations | 14 208 | | 28 | 79 | 14 315 |
| Acquisition value | 421 546 | 5 300 | 1 047 | 3 807 | 431 700 |
| Depreciations and impairment losses | -62 475 | -2 669 | -633 | -1 096 | -66 872 |
| **NET CARRYING AMOUNT AT 30/06/2021** | **359 071** | **2 632** | **414** | **2 711** | **364 827** |

### LEASE LIABILITIES

| IN '000 € | TOTAL |
|---|---|
| **NET CARRYING AMOUNT AT 31/12/2020** | **393 612** |
| New leases | 108 |
| Interest | 5 205 |
| Repayment | -8 118 |
| Forgiveness of lessee's lease payments | -7 387 |
| Adjustments | 2 591 |
| Effect of exchange rate fluctuations | 15 805 |
| **NET CARRYING AMOUNT AT 30/06/2021** | **401 815** |

### NEW LEASES

The new leases mainly consist out of new lease agreements for cars (€ 0.1 million), RealD 3D equipment (€ 0.1 million) and for in-theatre sales equipment (€ 0.0 million).

The RealD 3D equipment used by the Group is included under the right-of-use assets (€ 2.7 million). As these assets are fully prepaid, there is no outstanding lease liability for these assets.

### ADJUSTMENTS

A number of existing leases for land and buildings were adjusted, mainly due to changes to the contractual term and due to indexations for future lease payments. There have also been adjustments to the contracts of cars. In addition, the Group has received investment contributions for existing contracts, which are deducted from the right-of-use assets for € 1.1 million.

All this led to an adjustment of the lease liabilities of € 2.6 million and an adjustment of the right-of-use assets of € 1.5 million.

### RENT CONCESSIONS AS A RESULT OF THE COVID-19 PANDEMIC

As a result of the Covid-19 pandemic, the Group has obtained rent concessions from the lessor for part of the lease agreements, mainly related to land and buildings. These rent concessions, which are a direct result of the Covid-19 pandemic, include a full or partial forgiveness or deferral of the lease liabilities and mainly relate to the period of closure of the cinemas. Some rent concessions also include a partial forgiveness or deferral of payment for future periods.

The Group makes use of the optional practical expedient in the amendment to IFRS 16 regarding Covid-19-Related Rent Concessions. Thanks to this amendment in IFRS 16, rent concessions, that are a direct result of the Covid-19 pandemic and that meet the specified conditions, are accounted for as if they were not lease modifications. The rent concessions are then processed in the same way as a negative variable lease payment, and are therefore directly included in the consolidated income statement within ‘Other operating income’, as part of ‘Operating result’. As of 30 June 2021, the total rent concessions resulting from Covid-19 that are included in the consolidated income statement amount to € 7.4 million (30 June 2020: € 3.9 million)

If the rent concessions do not meet the specified conditions, they are treated as if they are lease modifications to existing lease agreements, with an adjustment of lease liabilities and right-of-use assets as a result. As a consequence, the adjustments include per 30 June 2021 an increase of € 0.9 million of lease liabilities and right-of-use assets. These adjustments include on the one hand the received rent concessions and on the other hand additional substantive changes to the terms of the lease, such as an extension of the contractual term.

### IMPACT ON THE CONSOLIDATED RESULT AND THE STATEMENT OF CASH FLOW

Per 30 June 2021 the Group has € 13.7 million (30 June 2020: € 13.9 million) depreciations on right-of-use assets and € 5.2 million (30 June 2020: € 5.3 million) interest on lease liabilities included in the consolidated income statement.

Per 30 June 2021 the Group repaid € 8.1 million lease liabilities (30 June 2020: € 12.8 million), of which € 5.2 million (30 June 2020: € 5.3 million) was interest. Without the rent concessions as a result of Covid-19, the repayment of lease liabilities as of 30 June 2021 would have been € 15.5 million (30 June 2020: € 16.7 million). In the consolidated statement of cash flow this can be found under ‘Cash flow from financing activities’.

### FINANCIAL LIABILITIES – FUTURE CASH FLOWS

The following table gives an overview of the contractual maturities of the non-discounted lease liabilities at 30 June 2021 and 31 December 2020:

| IN ’000 € | 30/06/2021 | | | | 31/12/2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | < 1 YEAR | 1-5 YEAR | > 5 YEAR | TOTAL | < 1 YEAR | 1-5 YEAR | > 5 YEAR | TOTAL |
| Non-discounted lease liabilities | 38 372 | 127 575 | 326 048 | **491 995** | 35 948 | 122 521 | 326 591 | **485 059** |

## 13. Deferred tax assets

Deferred tax assets on tax losses carried forward are only recognised if future taxable profits will be available to recover these losses, based on budgets and estimates for the next five years. The budgets and estimates are further extended to future expected taxable profits in order to analyse the recoverability of the losses and credits.

No deferred tax asset was recognised in the balance sheet in respect to tax losses carried forward and unused tax credits amounting to € 11.8 million (31 December 2020: € 14.0 million) as, based on our budgets and estimates, it seems unlikely that sufficient taxable profits will be available in the foreseeable future to be able to benefit from the tax benefit.

A deferred tax asset has been recognised in the balance sheet on tax losses carried forward and unused tax credits to an amount of € 124.9 million (31 December 2020: € 103.1 million). The increase in these losses is mainly attributable to the result before tax per 30 June 2021 in Canada and the United States as a consequence of the Covid-19 pandemic. For these losses, it is probable that sufficient taxable profit will be available. The Group bases itself on the assumptions used for the annual impairment test. We refer to note 7 for the relevant assumptions. These assumptions and estimates of the impairment test are further extended to future expected taxable profits in order to further analyse the recoverability of the losses and credits.

As a result of the Covid-19 pandemic, some individual entities have a negative result before tax per 30 June 2021. The Group expects this to be largely offset by a positive result before tax in the second half of 2021, thanks to the restart of the activities in the second quarter of 2021. However, the restart of the activities is per 30 June 2021 too recent to be able to decide on a final position on whether or not the Group will be able to offset the loss, in part or in full, during 2021.

For these entities, the Group has decided not to recognise a deferred tax asset but a current tax asset per 30 June 2021. For the entities where a deferred tax asset has already been recognised on tax losses carried forward per 31 December 2020, the Group continues to believe that the losses will be recoverable in the future.

Through 2021, the Group will continue to monitor and analyse the entities' tax losses. At the end of 2021, the current tax asset will either be offset against income taxes on the result before tax of the second half of 2021, or a deferred tax asset will be recognised, if the budgets and estimates indicate that the tax losses will be sufficiently recoverable in the future.

## 14. Transactions with related parties

There are no additional transactions with related parties other than those disclosed in the 2020 annual report (Part III Financial Report - Financial Report - Notes to the consolidated financial statements - Note 30).

## 15. Subsequent events after 30 June 2021

Except for the additional information provided in the first part of the press release, no additional subsequent events have occurred after 30 June 2021.

## 16. Other disclosure

For additional information, reference is made to the first part of the press release.

# STATEMENT OF MANAGEMENT RESPONSIBILITY

Eddy Duquenne, CEO of Kinepolis Group NV, and Nicolas De Clercq, CFO of Kinepolis Group NV, declare that, to the best of their knowledge, the condensed consolidated interim financial statements, which have been prepared in accordance with the International Financial Reporting Standards ('IFRS'), give a true and fair view of the net assets, the financial position and the results of Kinepolis Group NV. The interim financial report provides a true and fair view of the development and results of the Company and of the Group's position.

# Glossary and APMs

The glossary below also contains Alternative Performance Measures (APMs) that are aimed to improve the transparency of financial information.

**Gross result**
Revenue – cost of sales

**Operating result (EBIT)**
Gross result – marketing and selling expenses - administrative expenses + other operating income - other operating expenses

**Adjusted operating result**
Operating result after eliminating adjustments; is used to reflect the operating result from normal operating activities

**EBITDA**
Operating result + depreciations + amortisations + impairments + movements in provisions

**EBITDAL**
EBITDA less costs related to lease contracts (excl. rent abatements and common charges)

**Adjusted EBITDA**
EBITDA after eliminating adjustments; is used to reflect the EBITDA from normal operating activities

**Adjustments**
This category primarily includes results from the disposal of fixed assets, impairment losses on assets, provisions, costs from restructuring and acquisitions and other exceptional income and expenses

**Financial result**
Financial income - financial expenses

**Effective tax rate**
Income tax expenses / result before tax

**Adjusted result**
Result for the period after eliminating adjustments; is used to reflect the result from normal operating activities

**Result for the period, share of the Group**
Result attributable to equity holders of the Company

**Basic result per share**
Result for the period, share of the Group / (average number of outstanding shares – average number of treasury shares)

**Diluted result per share**
Result for the period, share of the Group / (average 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**
Capitalised investments in intangible assets, property, plant and equipment and investment property

**Gross financial debt**
Non-current and current financial liabilities

**Net financial debt**
Financial debt after deduction of cash and cash equivalents and tax shelter investments

**Net financial debt excl. lease liabilities**
Financial debt excluding lease liabilities after deduction of cash and cash equivalents and tax shelter investments

### ROCE (Return on capital employed)

Adjusted EBIT / (average non-current assets – average deferred tax assets + average assets classified as held for sale + average trade receivables + average inventories – average trade payables)

### Current Ratio

Current assets / current liabilities

### Free cash flow

Cash flow from operating activities – maintenance capital expenditures for intangible assets, property, plant and equipment and investment property – interest paid