



Kinepolis Group

Business Update Q1 2020

Regulatory release - 13 May 2020

Business update Q1

Up until the closure of the cinemas due to the measures relating to the COVID-19 virus, in every country where Kinepolis is active, the Group recorded an increase in visitor numbers and financial results, partly as a result of its recent acquisitions.

As known, Kinepolis was forced to close all cinemas from mid-March onwards following the COVID-19 outbreak.

In this update on the results of the first quarter of 2020, we have therefore made a distinction between the results before and after the closure of the first cinemas¹.

Results² of Q1 2020 up to and including 12 March (excluding impact COVID-19)³

- ★ The **number of visitors** increased by 12.0% up to and including 12 March thanks to the addition of the acquired American activities in the fourth quarter of 2019.
- ★ The **revenue** from ticket, beverage and snack sales showed a stronger increase than the number of visitors, mainly due to an increase in revenue per visitor in almost all countries.
- ★ The **adjusted EBITDA per visitor** rose, despite a slightly negative effect caused by the changed country mix, as a result of the US market being added and consequently a lower share of Belgium.
- ★ The **adjusted EBITDA** increased thanks to the higher revenue and the further successful implementation of the business strategy.
- ★ The **net adjusted profit and free cash flow** also increased.
- ★ The **net financial debt** decreased compared to 31 December 2019 due to a higher operating result combined with a positive working capital effect and lower interest paid.
- ★ **Important realisations** are the further roll-out of laser projectors, ScreenX and RealD 3D equipment, as well as a successful start-up of the integration of the acquired American cinemas. The construction of the new cinemas in Haarlem and Leidschendam is also progressing as planned.

¹ The first cinemas were closed on 13 March, all others followed shortly afterwards.

² Glossary and APMs can be found on the investor relations website of Kinepolis Group.

³ Visitor numbers and revenue up to and including 12 March. Other trends based on available figures at the end of February. Comparisons are made in relation to the same period of the previous year.



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Results of Q1 2020 to 31 March (including impact COVID-19)⁴

- ★ The **number of visitors** fell by 9.1% to 8.0 million, caused by the closure of the cinemas from mid-March onwards. The decrease was somewhat tempered by the addition of the American activities in the fourth quarter of 2019.
- ★ **Total revenue** decreased less than the visitor numbers in each country, except in Spain following the integration of the acquired El Punt cinemas.
- ★ The **adjusted EBITDA** is lower due to the impact of COVID-19 and the lower Belgian share in the country mix.
- ★ **Net profit** decreased due to the closure of the cinemas in March and increased financial costs and depreciation as a result of the growth of the Group.
- ★ **Net financial debt**, compared to 31 December 2019, excluding lease liabilities, remained constant.
- ★ The **free cash flow** is showing a decline due to the lower operating result, but was partially offset by an improved working capital.

Notes

Until the closure of the cinemas in mid-March, visitor numbers increased in Belgium (+2.9%), which enjoyed a favourable basis for comparison in relation to a rather weak first quarter of 2019, in Spain (+13.8%) and in the Netherlands (+15.2%). In Spain, this increase was mainly due to the integration of the El Punt cinemas from 1 March 2019. The expansion effect also played a role in the Netherlands, but even without expansion the visitor numbers remained stable in a market that declined overall. In France (-21.4%), Luxembourg (-10.6%) and Canada (-1.9%), visitor numbers suffered from a less successful film offering in the first months of 2020.

The top 5 of the first quarter of 2020 was made up of 'Bad Boys for Life', '1917', 'Sonic The Hedgehog', 'Star Wars: The Rise of Skywalker' and 'Jumanji: The Next Level'. The most successful local films in Flanders were 'FC De Kampioenen 4' and 'Nachtwacht: Het Duistere Hart', 'Ducobu 3.0' in France, 'De beentjes van Sint Hildegard' and 'April, May en June' in the Netherlands and 'Adú' in Spain.

⁴ Figures from 1 January up to and including 31 March 2020, compared to the same period the previous year.



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Visitors (in millions)	Belgium	France	Canada	Spain	Netherlands	United States	Luxembourg	Switzerland	Total
Number of cinemas*	11	13	46	8	18	10	3	1	110
12/03/2020	1,61	1,26	1,92	0,91	1,05	0,95	0,18	0,02	7,90
12/03/2019	1,56	1,60	1,96	0,80	0,91	0,20	0,02	0,02	7,06
12/03/2020 vs 12/03/2019	2,9%	-21,4%	-1,9%	13,8%	15,2%		-10,6%	-5,9%	12,0%
Visitors (in millions)	Belgium	France	Canada	Spain	Netherlands	United States	Luxembourg	Switzerland	Total
Number of cinemas*	11	13	46	8	18	10	3	1	110
Q1 2020	1,61	1,27	1,98	0,91	1,07	0,98	0,18	0,02	8,01
Q1 2019	1,84	1,99	2,56	1,09	1,08	0,24	0,24	0,03	8,82
Q1 2020 vs Q1 2019	-12,7%	-36,0%	-22,6%	-16,4%	-1,4%		-25,2%	-16,0%	-9,1%

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

Number of cinemas at 31/03/2020.

The **revenue from ticket, beverage and snack sales** showed a stronger increase than the number of visitors, thanks to an increase in revenue per visitor in all countries, except in Spain due to the integration of El Punt starting from 1 March 2019. As far as **Box Office revenue** is concerned, the addition of the US activities had a negative impact on the group average, while revenue from **In-theatre Sales (ITS)** had a positive impact. Overall, revenue per visitor increased at Group level.

Total revenue for the full first quarter decreased as a result of the closure of the cinemas, but less significantly than the decline in visitor numbers over the full quarter.

Revenue from **B2B activities** and **screen advertising** was strongly impacted by the COVID-19 virus, mainly due to a strong decrease in the number of events.

Revenue from **real estate activities** also decreased in the first quarter due to the loss of variable rental income.

COVID-19 impact and measures

From mid-March onwards, Kinepolis, in consultation with the relevant authorities, closed its cinemas in all the countries where the Group operates. The health of our film lovers and employees is our absolute priority. Depending on the duration of the closure in the different regions, Kinepolis expects a severe impact on the Group's financial results in 2020. The concrete impact on an annual basis cannot be estimated at this stage.

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

In recent weeks, measures have been taken to reduce the operating cost base and protect the company's cash flow situation. Kinepolis' activities are such that, under normal circumstances, approximately 70% of the costs affecting EBITDA are variable. Thanks to the strategy adopted in recent years of thinking about revenue-enhancing and efficiency-driven measures at cinema and team level, there is detailed knowledge available at every level of the organisation about the cost structure and



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the measures to be taken to influence certain costs. This has enabled Kinepolis to take swift action in order to make even more costs variable, resulting in almost 80% of operating costs being variable at present. Naturally, the measures taken by the authorities in the various countries in which Kinepolis operates have also helped. Efforts were also made at management level, such as voluntary salary reductions or the postponement of its payment by executive and senior management, the reduction of fees for the Board of Directors and the postponed payment of bonuses for the year 2019, which was an excellent year. In addition, the Board of Directors has not made a proposal for dividend payment to the General Meeting but has proposed to transfer the profit to the 'Retained earnings' item.

Kinepolis will continue to take all measures necessary to further reduce the impact at all cost levels, including the fixed costs and outgoing cash flows. For example, all investments that were not urgent or to which no commitment had yet been made have been stopped. The ongoing investments in the new construction projects in Haarlem and 'Mall of the Netherlands' in Leidschendam are continuing as planned.

At the start of the COVID-19 pandemic, Kinepolis held almost € 70.0 million in liquid assets and a line of credit amounting to € 120.0 million. Thanks to the measures taken, Kinepolis has sufficient liquid assets to cope with this crisis. In recent years, Kinepolis has pursued a prudent financial policy. This has resulted in an average term of more than five years of the outstanding financial liabilities. The next major repayment of its bonds will not take place until 2022. Kinepolis also has a strong and healthy balance sheet with an important real estate portfolio.

Eddy Duquenne, CEO Kinepolis Group: "As management, we are convinced that we have taken every measure necessary to get us through this crisis. We are eager to open the doors of our cinemas again soon, offering visitors the ultimate movie experience, in a safe environment. To this end, we have developed a protocol for the protection of visitors and employees, and are consulting with the sector federations and local authorities. Cinemas offer close-to-home entertainment in a controllable environment, and they are a way to expand the limited offer of leisure activities this summer."

Key events since 1 January 2020

Opening of a ScreenX theatre in Antwerp

The first Belgian ScreenX theatre opened its doors in Antwerp at the beginning of February 2020. ScreenX is a multi-projection cinema technology, designed to take the cinema experience to the next level. The technology creates a 270-degree film experience by extending the scenes to the side walls of the theatre, allowing the audience to look beyond the frame of a traditional cinema screen.

Kinepolis free to open new cinemas in Belgium from August 2021

On 23 October 2019, the Brussels Court of Appeal annulled the ruling of the Belgian Competition Authority (BCA) of 25 March 2019 and decided to abolish the condition that prevents Kinepolis from growing organically in Belgium. The Competition Authority determined the transitional period on 11 February 2020, and ruled that Kinepolis would no longer require prior permission to open new cinema complexes in its home market from 12 August 2021.



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New planned cinema in Haarlem

Kinepolis is currently building a new cinema in the Schalkwijk centre in Haarlem (NL). The cinema complex will have 6 screens and 934 seats, and all the screens will have laser projection technology.

Kinepolis expects to receive approximately 300,000 visitors per year. The opening of a new cinema fits in with the redevelopment of the Schalkwijk centre. The project for the new cinema in Haarlem was acquired by Kinepolis as part of the takeover of NH Cinemas in January 2018.

New-build project Mall of the Netherlands

Kinepolis is also planning to open a new cinema as part of the "Mall of the Netherlands" project in Leidschendam. The "Mall of the Netherlands" is a project by Unibail-Rodamco, in which the Leidsenhage shopping centre will be transformed into the largest shopping centre in the Netherlands. The cinema will have 11 screens and Kinepolis expects to receive approximately 500,000 visitors per year.

Line-up

Due to the closure of the cinemas, there is currently no programming. Upcoming highlights confirmed for this summer include 'Mulan', 'Tenet' and 'Wonder Woman 2'. As in previous years, the alternative programme features opera and ballet performances, as well as art exhibitions, concerts and other cultural events.

Financial calendar

Wednesday, 13 May 2020
Thursday, 20 August 2020
Thursday, 12 November 2020

General Meeting
Half-yearly results for 2020
Business update third quarter 2020

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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 55 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, Kinepolis also operates 46 cinemas in Canada and 10 in the US.

In total, Kinepolis Group currently operates 111 cinemas worldwide, with a total of 1,079 screens and almost 200,000 seats. Kinepolis employs 4,600 people, all committed to giving millions of visitors an unforgettable movie experience. More information on www.kinepolis.com/corporate.