

# Kinepolis Group Press Release

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## Business update Kinepolis Group

Third quarter 2008

Kinepolis Group publishes an interim report in November and May. This report provides information on the business activities and main events in the most recent quarter.

### Business activities

#### Visitor figures till 11/11/08

From 1 January to 11 November inclusive, the Kinepolis Group welcomed 18.5 million visitors or 1.6% less than in 2007.

	Belgium 11 complexes	France 7 complexes	Spain 3 complexes	Switzerland 1 complex	Total*	2008/2007*
First quarter	2,722,878	2,213,150	1,282,491	51,115	6,269,634	11.2%
Second quarter	1,719,104	1,393,624	982,009	28,104	4,122,841	-18.2%
Third quarter	2,267,419	1,644,036	1,484,848	47,068	5,443,371	-5.9%
Fourth quarter						
January - November 11 2008	8,075,813	6,067,798	4,290,525	147,857	18,581,993	-1.6%
January - November 11 2007	8,503,124	5,663,617	4,557,174	160,176	18,884,091	
2008 / 2007	-5.0%	7.1%	-5.9%	-7.7%	-1.6%	

\* after deduction of the visitor figures for the Polish complex, Cinema City Kinepolis (transfer of operation on 19/01/07)

#### Ticket sales

Revenues from ticket sales are influenced by visitor figures and ticket prices. Inflation and the success of digital films have led to an increase in the average ticket price.

#### Food, beverages and retail

Food, beverages and retail are a source of growth thanks to the general increase in consumption among cinema-goers. New, tried-and-tested concepts such as the large self-service shops are increasingly a part of the Kinepolis decor.

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## Media and events

Kinepolis Group is constantly diversifying its business-to-business activities and improving its professionalism in this area. The trend in the resulting revenues develops entirely independently of the trend in ticket sales. In other words, the evolution of the visitor figures has no impact on this revenue item. During the last quarter, the event-based activities of Kinepolis once again met with wide applause.

## Film distribution

As specialist in the distribution of Flemish films, Kinepolis Film Distribution (KFD) has been successful in carving out a secure niche for itself in the Belgian film landscape. Via KFD, Kinepolis as a media company demonstrates its intention to support and promote Flemish films. Non-Flemish films are also gaining in importance. For this, KFD works in association with the independent distributors such as RCV.

In 2008, KFD distributed as many as 38 films, which included successful titles such as the very first Belgian 3D animation film "*Fly me to the Moor*", the widely acclaimed "*Aanrijding in Moscou*", the latest film from Jan Verheyen, "*Los*", and the Studio 100 productions "*Samson en Gert - Hotel op Stelten*" and "*Anubis - het Pad der 7 Zonden*". The international films of KFD also scored exceptionally well, including (among others) the thriller "*Untraceable*" and the action film "*Bangkok Dangerous*" with Nicolas Cage in the lead role.

KFD starts the year-end period with the releases of "*Pride and Glory*" with Edward Norton and Collin Farrell, the third Piet Piraat film, "*Blinker & de Blixvater*", as well as the latest film of the living legend Gaston Berghmans, "*Christmas in Paris*".

In September, in cooperation with Bridge Entertainment Group and the Flemish Audiovisual Fund "Docudoc", KFD launched a project for supporting Flemish documentaries which will be shown on the big screen from 2010.

## Real Estate

Kinepolis' sites and buildings constitute a definite asset for the company. Kinepolis stands out from most other cinema groups in that it owns as much as 90% of its real estate, giving it the independence, freedom and flexibility to introduce a host of innovative projects and concepts both within the company and outside. The development and privatisation of the real estate division, which ensures the optimisation of the existing real estate portfolio, is proceeding according to plan. Since the beginning of this year, Kinepolis has registered an increase of 6 % in business lease incomes compared to the same period in 2007.

## Main events in the third quarter

### Competition Council (Belgium)

On 1/10/08, following a second review, the Competition Council (Belgium) revised its decision to lift the conditions imposed on Kinepolis in 1997 at the time of the merger between the Bert Group and the Claeys Group. The Competition Council decided that Kinepolis no longer requires the prior approval of the Council for expansions or for the replacement of existing complexes by new complexes. However, the Council ruled that till 30 September 2011 the building of a new cinema or the takeover of an existing cinema still needs to be formally announced.

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The cinema group UGC and the cinema federation FCB have recently submitted an appeal to the Court of Appeals for the reversal of this decision.

## Option 50% Imagimons (Bergen, Belgium) in arbitrage

Kinepolis Group announces that the Belgian competition authority, the Competition Council, has recently given its approval for the acquisition by Kinepolis Group of 50% of the shares in Imagimons NV, subject to the condition that Kinepolis does not acquire exclusive control or the power to run the daily management of the company.

Further to the challenge to the legality of the exercising of the option by the Carpentier family, the main shareholder of Imagimons SA/NV, Kinepolis introduced arbitrage proceedings to implement the option agreement.

Imagimons SA/NV owns the Imagix Mons cinema complex in Bergen (14 auditoriums, 3822 seats).

## Construction project Médiacité (Liège)

Kinepolis has a conditional agreement for the construction of 8 auditoriums and 1264 seats in Médiacité, a media and leisure project at the Longdoz site in Liège. In consultation with project developer Wilhelm & Co, the planned Kinepolis establishment will be further studied taking into account the latest innovations in Bruges, Ostend and Tournai and the development of the market for cinema complexes. Depending on the progress of the licensing and legal procedures related to competition and the actualisation of the business plan, the new Kinepolis complex is expected to be constructed in 2010.

## Construction project Kinepolis Ghent (Belgium)

In the context of the upgrading of the area around Kinepolis Ghent, Kinepolis has started on construction works in cooperation with the Blijweert Group. Along both sides of the entrance of Kinepolis Ghent, new housing facilities are being built and the entrance section of Kinepolis Ghent is being completely renovated. The new entrance section will be operational from mid 2009. The last apartments will be delivered in 2011.

## Film Voucher Belgium

The Belgian Film Voucher was introduced on 9/10/08 by Deputy Prime Minister and Minister for Finance Didier Reynders during a press conference. In Belgium, companies can now offer these film vouchers to their employees as gifts. The film voucher is a social bonus for the personnel, just like the book and culture Cheques. Kinepolis welcomes this initiative and fiscal incentive with enthusiasm.

## Digital Cinema and 3D Digital Cinema

Kinepolis continues with the international digitalisation process. The expansion of the digital installations is geared to the evolution of the digital offer.

## Opera in the Cinema

In October, the second live opera season premiered in Belgium and France. The first two shows ('Salome' and 'Doctor Atomic') attracted numerous opera fans. Sales of season tickets and business-to-business

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events around 'Opera in the Cinema' are going strong. On 22 November, 'La Damnation de Faust' (Berlioz) will be broadcast live to Kinepolis from New York (Metropolitan Opera).

## Board of Directors

The Board of Directors has taken note of the resignation of Professor Philippe Haspeslagh as independent Director and member of the Nomination Committee and the Audit Committee, owing to an excessively busy professional agenda.

For 10 years, Professor Haspeslagh was an esteemed Independent Director of the company. The Board of Directors wishes to thank him for his important contribution to the development of the company.

## Outlook

"*James Bond: Quantum of Solace*" was released worldwide on 5/11/08 and is a certain hit. And in Belgium, the Flemish production "*Lof*" is breaking all records. In France, the French series 'Mesrine' and 'l'Emmerdeur' are scoring highly.

In the offing are a series of top films such as '*Body of Lies*', '*The Day the Earth stood Still*', '*Australia*' and for Belgium, the 3D film '*Journey to the Centre of the Earth*'. Upcoming Flemish films are '*Piet Piraat 3*', '*Christmas in Paris*' and '*Blinker en de Blixvaten*'. France is looking forward to '*Largo Winch*'.

On 9 December from 8 pm onwards, Elton John will be performing in 17 Kinepolis Cinemas. "The Red Piano", the mega show from Elton John on the occasion of his 60<sup>th</sup> birthday, will be broadcast live that day from Paris (Bercy) via satellite to an extensive network of cinemas. All Belgian and French Kinepolis cinema complexes as well as Kinepolis Madrid and Kinepolis Granada are taking part in the spectacle, which will set the tone for the musical programmes planned by Kinepolis in 2009.

As previously communicated, Kinepolis is not certain that it will be able to match the visitor figures of 2007 (22 million), in view of the weakened economic situation and the postponement of the release of the latest Harry Potter film to 2009. Nevertheless, the management is positive regarding the visitor figures recorded till now in comparison with the predictions based on the film titles.

In order to limit the impact of the inflation on pricing, the management has concentrated its efforts in the last months on the optimisation of the internal organisation and the cost structure in relation to customer experience. By focusing on an offer with added value (digital films, 3D films, public events), the average ticket price is being supported. The concept of the large self-service shops, which have now been set up in a number of Kinepolis cinema complexes, was positively received by the public and has raised the quality of the customer experience and the level of consumption revenues. These self-service shops will also gradually be set up in the other Kinepolis cinema complexes.