

Business update Q1 2011

17 May 2011

The past quarter at a glance

- 5.3 million admissions: 10.3% less than in the exceptional first quarter of 2010 ('Avatar'), 1.3% more than in the first quarter of 2009 that is a similar quarter with respect to film offer
- Box office revenue¹ decreased accordingly
- Thanks to the local success of 'Rundskop', Belgium (-4.9%) performed better than France and Spain
- In-theatre sales² (ITS) per visitor continued to rise
- More B2B revenue³ and revenue from film distribution, real estate revenue maintained
- Lower current⁴ EBITDA⁵ as a result of lower ticket sales
- Free cash flow⁶ increased sharply, mainly as a result of working capital movements (seasonality and timing effects).

Notes to the revenue evolution

The **box office revenue** of Kinopolis Group decreased significantly in the first quarter compared to the same period last year. This reduction is fully in line with previously announced expectations.

- Last year, the exceptional success of 'Avatar' in the first quarter led to a 12.9% rise in ticket sales. Visitors now felt the repercussion, being 10.3% lower than in the Avatar quarter, but ended up 1.3% higher than in the first quarter of 2009 ('The Mysterious Case of Benjamin Button', 'Bolt'), that offers a better basis for comparison.
- The recent extremely warm weather and the weak 3D film supply also had a negative impact on visitor numbers.
- The top 5 was 'Rien à Déclarer', 'Tangled', 'Rundskop', 'Black Swan' and 'The Hereafter'.
- Strong local films supported the box office revenue. Hollywood productions were not leading the ranking in any country. That position was each time taken by a domestic film. In Belgium it was 'Rundskop', in France 'Rien à Déclarer', in Spain 'Torrente 4' and in Switzerland the German production 'Kokowaah'. In Belgium the top 3 was 100% local: 'Rundskop', 'Rien à Déclarer' and 'Frits en Freddy' respectively.
- On the 3D front, 'Tron Legacy' set the ball rolling, followed by 'Tangled' and 'Narnia: The Voyage of the Dawn Treader'.

	Belgium	France	Spain	Switzerland	Total
Number of cinemas	11	7	3	1	22
Q1 2011 (m)	2.4	1.7	1.1	0.04	5.3
Q1 2010 (m)	2.6	1.9	1.3	0.05	5.9
2011 compared to 2010	-4.9 %	-13.7 %	-15.9%	-6.5%	-10.3%

- From 1 January to 15 May, visitors fell by 14%. The further decrease since 31 March is clearly related to the continuous warm weather since the Easter holidays in Belgium and Northern France, combined with the mediocre film supply. With regard to the film releases, a compensating countermove has now started with the opening of Hollywood's blockbuster summer season.

In-theater Sales (ITS) per visitor increased further thanks to the continued roll-out and success of the new Mega Candy self-service shops that offer the visitor a wider selection and more convenience. However, the higher consumption per visitor did not compensate the impact of lower ticket sales. ITS decreased as a result.

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Business-to-business (B2B) revenue rose in the first quarter compared to the same period last year. In the first three months of 2011 revenue from screen advertising rose in Belgium and France. Spain reported a slight decrease.

Real estate income remained at the same level as last year. New leases were signed in France, Poland and Switzerland. In Belgium rent income declined as a result of the redevelopment of the Leuven complex.

The increase in revenue of **Kinopolis Film Distribution (KFD)** compared to the first quarter of 2010 is primarily due to the success of 'Rundskop'.

Important events since 1 January 2011

Kinopolis is first to install Barco 4K projectors in Europe

The planned installation of Barco 4K projectors in its Belgian, French and Spanish cinemas is a new milestone in Kinopolis' digitalisation process and the innovative setting for the digital evolution of the European cinema market. Belgium will be supplied with Barco 4K projectors first; the other countries will follow after that. During the past year, Kinopolis thoroughly prepared for the conversion to 4K technologically speaking. 4K images have a higher degree of detail, more clarity and a more intense palette of colours, which leads to an even more intensive film experience, in particular for anyone with an eye for image technicity. In addition, the 4K resolution offers additional possibilities for factual transmissions and business-to-business applications in the cinema.

Capital optimisation Kinopolis Group

At the Extraordinary General Meeting on 20 May 2011, the Board of Directors will propose that the registered capital be reduced by a rounded-off € 30 million and thus pay its shareholders € 4.33 per share. This reduction in capital will not be accompanied by the cancellation of shares.

Thereafter, it will also request a mandate to repurchase a maximum of 1,074,270 of its own shares with the purpose of cancellation, as well as a mandate to repurchase a maximum of 34,654 of its own shares to cover new share options to be issued within the framework of a proposed expansion of the 2007-2016 Share Option Plan.

Kinopolis wants to optimise its capital structure and create value for its shareholders by means of a capital reduction combined with a share buy-back program.

The capital reduction and its payment are expected to be executed in August.

Legal proceedings Tintoonstellingspark Brussels - Parc des Expositions Brussels

At the beginning of February 2011 Kinopolis received a writ of summons from the Tintoonstellingspark van Brussel - Parc des Expositions de Bruxelles (TPB), the operator of Brussels Expo. Kinopolis is of the opinion that TPB has deployed this writ of summons on the basis of unfounded reasons and trusts in a favourable outcome of these proceedings.

Line-up

In the meantime, the films 'Thor', 'Fast Five' and 'Rio' have opened the blockbuster summer season. Film lovers are already looking forward to 'Pirates of the Caribbean: On Stranger Tides', 'The Hangover 2', 'X-men: First Class', 'Kung Fu Panda 2', 'Transformers 3: Dark of the Moon' and in July 'Harry Potter and the Deathly Hallows'. The autumn on the other hand will be characterised by a number of domestic films, including 'Het Varken van Madonna' and 'Groenten uit Balen' (Belgium), 'Carnage', 'The Lady' and 'Les Lyonnais' (France), and 'La Piel que Habito' (Spain). Finally, the end of the year will unite Hollywood and domestic films into a promising film offer.

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¹ Revenue from ticket sales

² Revenue from the sale of drinks, snacks and merchandise in cinemas

³ Business-to-business (B2B) revenue

⁴ After eliminating non-current transactions

⁵ EBITDA is not a recognized IFRS term. Kinopolis Group has defined this concept by adding depreciations, amortizations and provisions to the operating profit and subtracting any reversals or uses of the same items

⁶ Kinopolis Group defines the free cash flow as the cash flow generated from operating activities less the maintenance investments in other intangible assets, property, plant and equipment and investment property, paid interest charges, including the sales of property, plant and equipment and other financial assets.