

# Press Release Kinopolis Group

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## Business Update YTD Q3 2009

13/11/2009

### General evolution of revenue

- The **box office** income (income generated from ticket sales) has evolved favourably - despite a lower visitor figure - thanks to the increasingly larger share of an innovative product range with higher experiential value (digital, 3D, events, opera, etc.) as well as the commercial policy followed. This helps support the average box office income per visitor to a significant extent.

From 1 January to 30 September, the Kinopolis Group international (Belgium, France, Spain and Switzerland) welcomed 15.2 million visitors or 4.2% less than in 2008. As of 11 November last, this percentage improved to 3.9%. After a fairly sharp drop in visitor numbers in the first half of this year, in comparison to the successful first half of 2008, the past summer and autumn months provided some solace with hits such as 'Ice Age 3', 'Harry Potter and the Half-Blood Prince', 'Inglorious Basterds', 'Up 3D', 'This is It', and local top films such as 'De Helaasheid der Dingen' (Belgium), 'Neuilly sa Mère' (France) and 'Agora' (Spain).

	Belgium	France	Spain	Switzerland	Total
Cinemas	11	7	3	1	22
Q1 to Q3 2009 (m)	6.4	5.1	3.6	0.1	15.2
Q1 to Q3 2008 (m)	6.7	5.2	3.7	0.1	15.8
2009 as compared to 2008	-4.6 %	-3.3 %	-5.0%	-0.5%	-4.2 %

- The **'in theatre sales'** (ITS), which include all incomes from the sale of drinks, snacks and retail in the cinema, show a slight increase in the past quarter. The ITS revenues per visitor have also increased, despite the crisis in consumer purchasing power. This is owing to the success of the new self-service shops (Mega Candy) and the effectiveness of this sales channel. The intention is to invest further in the shop concept, and to provide for these in nearly all Kinopolis cinemas.

The Business-to-Business revenues (**B2B**) remain in line with expectations.

\* Via digital projectors, specially adapted conference infrastructure and service, media campaigns and partnerships, the Kinopolis cinemas are strongly promoted as B2B locations.

Since 2008, the organisational structure provides for commercial teams which apply themselves exclusively to the business segment.

\* Screen advertising, on the other hand, is suffering greatly due to the economic crisis, resulting in strongly declining advertising revenues.

- In the third quarter, Kinopolis Film Distribution (KFD), specialist in the **distribution** of Flemish films, distributed films such as 'Het Geheim van Mega Mindy' and 'Meisjes'. As expected, non-Flemish films such as 'A Perfect Getaway' and 'Management' booked successes. For the distribution of these international films, KFD works in association with independent distributors such as Entertainment One and A-Film.

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- The **property incomes** of the third quarter remain at the same level. The property portfolio of Kinopolis has been further valorised, by the filling of empty commercial spaces, the creation of additional spaces and the introduction of new retail concepts.

## Margins and free cash flow

- In the third quarter, the EBITDA and profit margins of the group remain firm.
- The economic climate translated itself into lower incomes from screen advertising.
- The investment programme (including remodelling, digital projection system and replacement investments) progresses as planned.
- Even with the increased level of investment, it was possible to further lower the net financial debt and improve the financial ratios.
- The last instalment amounting to 1 million euros, from the sale of the participating interest in CinemaxX was received in third quarter.

## Status group strategy

In the past quarter, Kinopolis has also worked towards the further implementation of each of the three strategic pillars. The three pillars (cinema, marketing, real estate) form the basis for the Kinopolis strategy for the creation of sustainable shareholder value.

Kinopolis aspires to be

- the best cinema operator with a central focus on permanent innovation and excellence in products and customer experience;
- the best marketer responding to ever-changing trends and needs through continual dialogue with our millions of customers;
- the best property manager based on even more efficient utilisation and valorisation of our real estate portfolio.

### *The best cinema operator*

In 2009, six establishments are being thoroughly renovated according to the newest, successfully tested concepts. Each establishment is provided with spacious self-service shops with a wide assortment and effective lines of sale. After Antwerp, Brussels, Ghent and Braine-l'Alleud, Mulhouse and Metz are also acquiring a new look at present.

Kinopolis continues with the international digitalisation process so that the ever-growing number of digital films can be presented in the Kinopolis auditoriums. Here, the expansion of the digital installations is geared to the evolution of the digital offer.

### *The best cinema marketer*

A new, high-performance CRM software package was introduced and implemented. Various direct marketing programmes were launched. The intention is to get to know the cinema-goer better and carry out an optimal segmentation, in order to refine the services offered per sub-segment. The roll-out of the CRM strategy at group level is being prepared. The marketing teams will be further strengthened for this purpose.

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## *The best property manager*

A new property management software has been implemented, as a result of which the property team now has an even more high-performing management tool at its disposal. The occupation rate of the available commercial spaces was further boosted. A number of projects are being prepared for the further valorisation of the property potential of the group.

A preliminary agreement was signed with a property developer for the sale of 1400 m<sup>2</sup> of land and buildings behind the Ghent cinema. The site is earmarked for the construction of 48 apartments.

## **Most important events after 30/06/2009**

### **Kinopolis no longer a shareholder of CinemaxX**

At the start of 2009, Kinopolis Group sold its 12.61% minority share (3 million shares) in the German cinema group CinemaxX ag to the H+Z Beteiligungs GmbH group, at a price of € 1 per share. Shares have been transferred in three equal parts, upon payment of the purchase price. The third and last payment was made at the end of July. For Kinopolis Group nv, the transaction generates a capital gain in the financial year 2009 equal to the sale price (€ 3 million), provided that the participating interest was fully written off in 2001. Two-thirds (€ 2 million) was realised in the first half of the year, one-third (€ 1 million) in the second half of the year.

### **Kinopolis will not realize the cinema project Médiacité (Liège)**

Given the persisting competition law procedures, Kinopolis Group and project developer Wilhelm & Co decided earlier this year to put the Médiacité project on hold.

Since the contractual preconditions relating to the cinema project were not fulfilled in good time, Kinopolis Group and Wilhelm & Co were no longer legally bound.

Kinopolis has decided that it will not be carrying out this project. The capitalised study and project development costs amounting to € 0.5m euro were written off as a cost in the first half of 2009.

### **Status Screenvision Belgium nv**

Owing to the economic crisis, the screen advertising agency Screenvision Belgium nv was no longer able to honour its obligations with respect to cinema operators, including Kinopolis. In order to maintain the unity of the Belgian cinema advertising market in the interest of all cinema operators, Kinopolis Group has, with a view to a restructuring of the activities as a going concern, relinquished its minimum guarantee and granted extension of payment to Screenvision Belgium nv.

Kinopolis is considering a possible takeover of Screenvision Belgium nv in order to assist the agency in the transformation process from analogue to digital cinema advertising. The due diligence has meanwhile been finalised. A precondition for takeover is the submission, by the management of Screenvision Belgium nv, of a sound business plan which is not structurally loss-making. For this, Screenvision must renegotiate existing agreements (including the minimum guarantee provisions) with third-party operators. At this moment, these negotiations are still in progress with the last of the cinema operators in question. Kinopolis aims at reaching a final decision before the year end with regard to the possible takeover of Screenvision Belgium nv.

In Belgium, Screenvision Belgium nv runs 465 cinema screens, good for 97% of visits to the cinema. In addition to advertising on the big screen, Screenvision also offers complementary communication media such as cinema sampling, posters and events.

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## Prospects

The fourth quarter is usually an important quarter for Kinopolis.

Expected blockbusters are '2012', 'A Christmas Carol' (3D), 'Twilight 2: New Moon', the Flemish 'Dossier K', and the long-awaited 'Avatar' (3D). It seems that the releases of the past weeks (the Flemish 'De Helaasheid der Dingen', 'This is It', 'Up 3D', the French 'MicMacs à Tire-Larigot' and the Spanish films 'Agora' and 'Rec 2') will be continuing their success for some more time.

Finally, the culture and sports loving public also get what they want with numerous events such as live opera, live theatre, 'De Kampioenen' tour 2009 (Belgium), Metallica (France), El Clasico between Real Madrid and Barcelona (Spain) etc., in addition to the regular programming.