

# Kinepolis Group Press Release

Page 1 of 6

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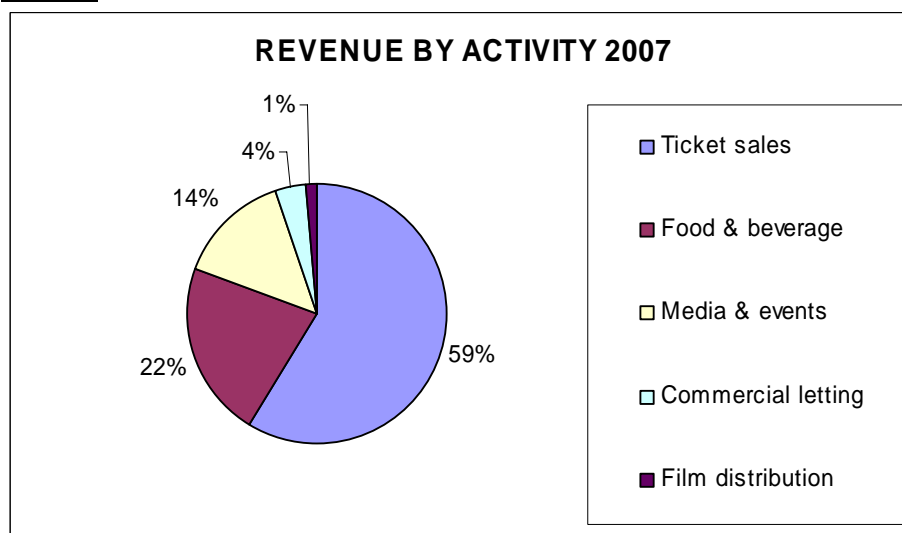
## Kinepolis Group posts € 14.7m net profit in 2007

Kinepolis Group ended 2007 with net profit of € 14.7m, operating profit of € 25.1m, EBITDA<sup>1</sup> of € 49.6m and revenue of € 212.3m. Net profit was up 1% on 2006 (€ 14.6 million).

Kinepolis was able to increase revenue by 0.5%, despite a 3.4% fall in admissions. Revenue was boosted by digitization and other business activities like food, beverages, retail, business-to-business and real estate..

KEY FIGURES (in € '000)	31/12/2007	31/12/2006	%Δ
Revenue	212 324	211 191	0.5%
EBITDA	49 579	48 720	1.8%
Operating profit	25 146	26 507	-5.1%
Net financing cost	-6 890	-6 693	-2.9%
Profit before tax	18 256	19 814	-7.9%
Tax	-3 530	-5 179	-31.8%
Net profit	14 726	14 635	0.6%
Earnings per share – basic	2.15	2.14	0.4%
Earnings per share – diluted	2.15	2.09	2.6%
Net Financial Debt (NFD):	138 868	136 570	1.7%
EBITDA/Revenue	23.4%	23.1%	0.3%

### Revenue



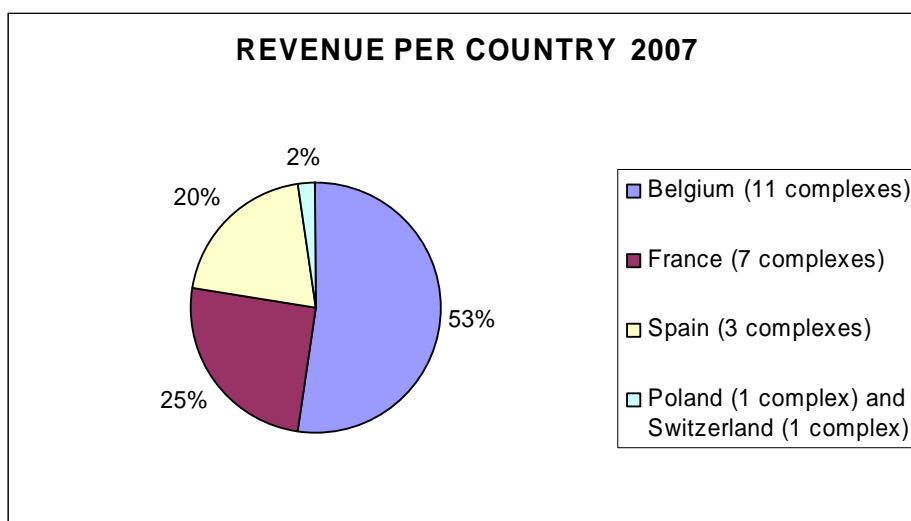
<sup>1</sup> EBITDA is not a recognized IFRS term. Kinepolis has defined the concept by adding back charges for depreciation, amortization, value impairments and provisions to the operating profit, and subtracting any reversals or uses of the same items.

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Page 2 of 6

In 2007 Kinepolis Group generated € 212.3m of revenue. This is 0.5% more than the year before (2006: € 211.2m).

- The gross box office (income from ticket sales) was down 3%, reflecting lower admissions, partially offset by higher sales prices.  
Ticket sales as a percentage of total revenue (59%) were down on 2006 (61%), with a higher portion coming from food, beverages & retail and from commercial lettings.
- Food, beverages & retail rose by 5%, thanks to higher per visitor consumption and an increase in sales prices.
- Business-to-business activities in the cinema environment remain a source of growth, with revenue from events, screen advertising etc. up 5%.
- Revenue from Kinepolis's film distribution division (KFD) rose compared with 2006, thanks to the success of Flemish films ('Man zkt Vrouw', 'Ben X', 'Vermist') and the score of 'The Golden Compass'.
- Real estate income surged by 25%. The main factor here is the letting of the Cinema City Kinepolis facility to the ITIT cinema group from 19 January 2007 onwards.



## Admissions

ADMISSIONS ('000)	31/12/2007	31/12/2006	%Δ
Belgium	9 912	10 641	-7%
France	6 544	6 688	-2%
Spain	5 397	5 273	2%
Switzerland	185	202	-8%
Total (*)	22 038	22 805	-3%

(\*) excluding Poland: transfer of activities and letting of the Polish facility Cinema City Kinepolis to the ITIT cinema group effective 19 January 2007.

In 2007 Kinepolis Group welcomed 22.0m visitors to its cinema complexes. This is 3.4% less than the year before (22.8m visitors). The main reasons were the very strong 2006 comparative figures, a warm spring and the unexciting international film line-up.

The recently-opened Kinepolis complexes in Bruges (2006), Nancy and Granada (2004) all achieved significant growth in 2007. The newly opened Kinepolis Ostend (July 2007) got off to a cautious start.

September and April proved the weakest months of the year for Kinepolis Group, and July the absolute top month.

Top films in 2007 were 'Pirates of the Caribbean: At World's End', 'Harry Potter and the Order of the Phoenix', 'Ratatouille', 'Shrek the Third', 'Spider-man 3' and 'The Simpsons Movie'.

## **EBITDA**

EBITDA is not a recognized IFRS term. Kinepolis has defined the concept by adding back charges for depreciation, amortization, value impairments and provisions to the operating profit, and subtracting any reversals or uses of the same items.

In 2007 EBITDA rose by 1.8% to € 49.6m (2006: € 48.7m).

In comparison with 2006, sales and marketing costs rose by € 2.4m (primarily advertising costs). Administrative costs fell slightly.

The increase in other operating income and costs (+ € 0.9m) partly offset this cost increase. In 2007 a capital gain of € 0.8m was realized on the sale of fixed assets and another of € 0.7m on the sale of a "building right" in Valencia. With the transfer of the Polish cinema activity, the capital gain realized here was offset by the derecognition of the goodwill attached to the Polish activity.

In 2007 non-recurrent items contributed € 2.3m to net profit (2006: € 0.5m). Disregarding these items, the current profit after tax is € 12.5m (2006: € 14.2m).

The recent Belgian complexes have made a positive contribution to EBITDA right from the first year. Kinepolis Bruges, opened in July 2006, performed remarkably well compared with the average cinema complex. Kinepolis Ostend, opened in July 2007, got off to a slower start but also contributed positively to EBITDA.

## **Operating profit (EBIT)**

Operating profit is € 25.1m, compared with € 26.5m in 2006. The € 1.4m reduction in EBIT is explained by higher depreciation (including on the tax shelters) and accelerated depreciation on the Liège downtown complex (Palace).

## **Net financing cost and debt position**

Net financing cost in 2007 was -€ 6.9m (2006: -€ 6.7m).

This consists mainly of interest on financial debt and the results of derivative financial instruments (hedging of interest rate fluctuations).

The net debt position (NDP) at 31.12.2007 was € 138.9 million, as against € 136.6m at 31.12.2006.

## **Profit before tax**

Profit before tax is € 18.3 million (2006: € 19.8m), a fall of 7.9%.

## **Net profit for the financial year**

Net profit shows a contrary movement: for the year to 31 December 2007, at € 14.7m it was up 0.6% on 2006 (€ 14.6m). The lowering of the tax rate in Spain, the recognition of future tax benefits on the liquidation of a subsidiary, and the notional interest deduction produced a considerable reduction in tax from € 5.2m to € 3.5 million.

## **Balance sheet and cash flow analysis**

No less than 88% (€ 320.5 million) of the balance sheet total at 31.12.2007 consisted of fixed assets (including those held for sale and investment property). These include land and buildings (including those held for sale and investment property) with a carrying value of € 237m.

At 31.12.2007 equity amounted to € 113.5m, or 31.2% of the balance sheet total.

Net cash flows from operating activities were € 36.6m (2006: € 33.2m). In 2007 the Group invested EUR 32.8 million in acquiring new tangible fixed assets. Much of this relates to the new complex at Ostend (Belgium), which opened on 8 July this year. The group also invested heavily in the renovation of existing complexes, digital projectors, seat reservation and the like.

The majority of these investments were paid out of cash flow, the balance of € 4.0m being funded from additional loans.

## **Eddy Duquenne appointed co-managing director**

Eddy Duquenne, the former top man at Sunparks, joined Joost Bert as co-managing director on 1 January 2008.

Mr Duquenne's appointment follows the decision taken by the Board of Directors to significantly strengthen operating management.

As co-Managing Director, Eddy Duquenne will carry full operational responsibility, with Joost Bert remaining responsible for strategy, concept and project development in the Group.

## **Real Estate development**

Kinepolis's land and buildings are a vital asset. The fact of owning over 90% of its real estate sets Kinepolis apart from most other cinema groups, giving it the independence, freedom and flexibility to come up with a number of innovative projects, both inside and outside its own walls.

The real estate division is being further extended, and given managerial independence, in 2008. In this context an additional real estate manager was recently appointed, and the board of directors will soon be strengthened by a further director from the real estate sector.

## **Unveiling of the new "open foyer" Kinepolis model**

The design concept of the latest Kinepolis complexes (Kinepolis Ostend and Kinepolis Bruges) is highly innovative. Setting the tone are the 'open foyer' with extensive shopping opportunities, the seat reservation and ticket control facilities (the latter functioning automatically using sensors built into the seats) and the extensive digitization of film, data and communication channels.

This 'home-grown' total concept was first implemented in December 2007, with Kinepolis Kortrijk (10 screens) becoming, on its tenth birthday, the first in turn of the Kinepolis complexes to be converted into a new generation Kinepolis.

In most Kinepolis complexes the seats have now been numbered, and film fans can reserve their tickets and seats.

In February 2008 the downtown Forum Nimes cinema (4 screens) also reopened after many months, totally renovated and fitted with a seat reservation system.

## **Kinepolis Group and digital cinema**

Kinepolis is continuing the international digitization process, to allow the constantly growing number of digital films to be presented on Kinepolis screens. The digitization of the cinema medium is providing better sound and image quality and offering a broader programme with a whole range of new entertainment possibilities and business-to-business applications.

For example, Kinepolis Belgium has partnered with the New York Metropolitan Opera, one of the world's most prestigious opera houses, to show 8 of its productions live in HD. 'Roméo et Juliette' (Gounod), 'Hansel und Gretel' (Humperdinck) and 'Macbeth' (Verdi) have already been viewed by highly appreciative audiences.

At the end of 2007, Metropolis Antwerp and Kinepolis Brussels showed a live concert in HDDC (high definition digital camera) by Take That, the most successful English band since the Beatles. The concert was beamed from London's O2 entertainment temple, as part of the fully booked new Take That tour – Beautiful World – following the album of the same name released last year.

The Spanish matches in the European basketball championship and the main America's Cup races were broadcast live at Kinepolis Madrid and Kinepolis Valencia. Kinepolis Spain also projected nine Formula-1 races on the big screen. In September Kinepolis Hasselt presented live the "Motocross of Nations", the most important motocross competition of the year, and at the start of this year, basketball supporters could also view a tournament on the wide screen at Kinepolis Ostend.

## **3D Digital Cinema**

The very latest application of digital cinema is 3D Digital Cinema (Kinepolis, Dolby Laboratories, Barco). Kinepolis has installed 17 3D-installations at its various international locations. In November 2007, Kinepolis presented its first 3D film 'Beowulf', followed in Belgium in early 2008 by 'Fly me to the Moon'.

With the concert film U2 3D, the third 3D film is already on the program.

Kinepolis France will be the first to set the ball (rock and) rolling, releasing the film on 3 March, followed by Kinepolis Belgium (from 9 April) and Kinepolis Spain (release on 25 April). This film on the rock gods' "Vertigo Tour" concert tour assembles the most impressive arsenal of technological devices ever in this category of films. A battery of cameras catapult the film viewer onto stage, behind the scenes and into the wildly enthusiastic audience. The combination of digital sound and relief images (thanks to the digital DLP®-technology) provides a concert experience which comes close to the real thing.

## **Buy-in of own shares**

On 12 February the Extraordinary Shareholders Meeting authorized the Board of Directors to purchase treasury shares to cover options to be allotted under the share option plan approved in 2007.

## **Prospects**

Whereas the 2007 film year had one clear "blockbuster season" running from early May to the end of August, the expected success titles for 2008 are much better spread over the year.

'I am Legend' continued its international year-end success into the new year. 'Asterix at the Olympic Games' and 'Bienvenue chez les Ch'tis' got off to an overwhelming start in France and French-speaking Belgium, with good visitor figures already in January and February.

Still to come are highly promising film titles like '10 000 BC', 'Indiana Jones 4', 'Chronicles of Narnia: Prince Caspian', 'The Mummy 3', the 22<sup>nd</sup> Bond film 'Quantum of Solace', 'Harry Potter and the Halfblood Prince', and 'Escape from Madagascar'..

2008 is also promising to be a strong year for local films like 'Los', 'Samson en Gert' and 'Suske en Wiske' (Flanders), 'Disco' (France), and 'Mortadelo & Filemon 2' and 'Los Crimenes de Oxford' (Spain).

## **Dividend € 0.65 per share**

The Board of Directors will be proposing the General Meeting of 16 May 2008 that the company declare a gross dividend of **€ 0.65 per share** in respect of 2007 (2006: € 0.64 per share). The payout ratio of 30% has now been maintained for 4 years in a row.

## **Statutory auditor's report**

The statutory auditor, Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren – Réviseurs d'Entreprises, represented by L. Ruysen, has confirmed that the audit procedures, which have been substantially completed, have not revealed any material adjustments which would have to be made to the accounting data included in the Company's annual announcement.

Antwerp, 28 February 2008  
Klynveld Peat Marwick Goerdeler - Bedrijfsrevisoren  
Represented by  
L. Ruysen  
Partner

## **Financial Diary**

Friday 11 April 2008:	Publication of admissions by country – first quarter 2008
Friday 16 May 2008:	Kinepolis Group Annual Shareholders Meeting
	Publication of business update
Wednesday 16 July 2008:	Publication of admissions by country – second quarter 2008
Friday 29 August 2008:	Publication of half-year results
Monday 13 October 2008:	Publication of admissions by country – third quarter 2008
Friday 14 November 2008:	Publication of business update
Tuesday 13 January 2009:	Publication of admissions by country – fourth quarter 2008