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Key figures and ratios



Key figures

NUMBER OF MULTIPLEXES	BELGIUM	FRANCE	SPAIN	OTHER (POLAND & SWITZERLAND)	TOTAL
2012	11	7	3	2	23

VISITORS (MILLIONS) ⁽¹⁾	BELGIUM	FRANCE	SPAIN	SWITZERLAND	TOTAL
2011	9.9	7.0	4.2	0.2	21.3
2012	9.4	6.3	3.9	0.2	19.8
2012 vs. 2011	-4.5%	-9.1%	-8.7%	-8.5%	-6.9%

CONSOLIDATED INCOME STATEMENT (IN '000 €)	2007	2008	2009	2010	2011	2012
Revenue	212 324	216 877	231 226	239 170	253 704	254 505
EBITDA	49 579	52 588	57 627	67 996	74 562	72 252
REBITDA		52 651	58 072	66 512	71 673	74 001
Gross profit	49 687	53 346	59 218	67 019	79 639	82 221
Operating profit	25 146	28 718	31 822	45 185	53 341	51 673
Net finance expense	-6 890	-8 390	-2 305	-5 153	-3 169	-5 859
Profit before tax	18 256	20 328	29 517	40 032	50 172	45 814
Profit	14 726	15 186	22 177	28 062	36 471	35 704
Current profit		15 225	20 421	28 039	35 195	37 405

ANNUAL GROWTH RATES	2007	2008	2009	2010	2011	2012
Revenue	0.5%	2.1%	6.6%	3.4%	6.1%	0.3%
EBITDA	1.8%	6.1%	9.6%	18.0%	9.7%	-3.1%
REBITDA			10.3%	14.5%	7.8%	3.2%
Gross profit	0.2%	7.4%	11.0%	13.2%	18.8%	3.2%
Operating profit	-5.1%	14.2%	10.8%	42.0%	18.1%	-3.1%
Profit	0.6%	3.1%	46.0%	26.5%	30.0%	-2.1%
Current profit			34.1%	37.3%	25.5%	6.3%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IN '000 €)	2007	2008	2009	2010	2011	2012
Non-current assets	310 247	299 349	288 153	281 856	272 139	261 868
Current assets	53 637	53 035	55 384	44 184	54 814	65 703
TOTAL ASSETS	363 884	352 383	343 537	326 040	326 953	327 571
Equity	113 554	117 306	132 540	157 318	133 942	108 668
Provisions and deferred tax liabilities	17 524	17 272	17 676	16 364	18 110	21 466
Non-current loans and borrowings	139 231	130 000	86 000	57 437	38 502	81 709
Current loans and borrowings and bank overdrafts	15 877	16 536	23 696	22 363	56 020	37 731
Trade and other payables	71 023	64 894	76 131	65 680	72 649	72 949
Other	6 675	6 375	7 494	6 878	7 730	5 048
TOTAL EQUITY AND LIABILITIES	363 884	352 383	343 537	326 040	326 953	327 571

(1) Excluding Cinema City Poznan, operated by ITIT

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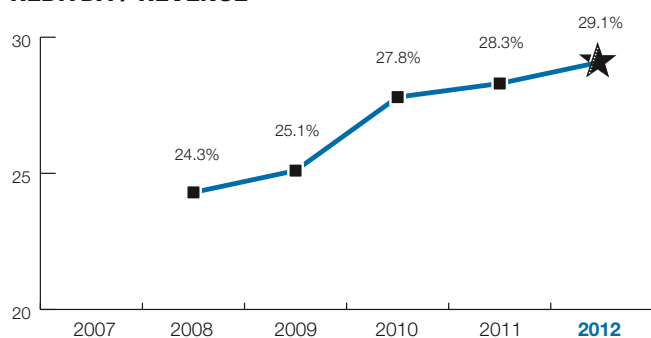


Ratios

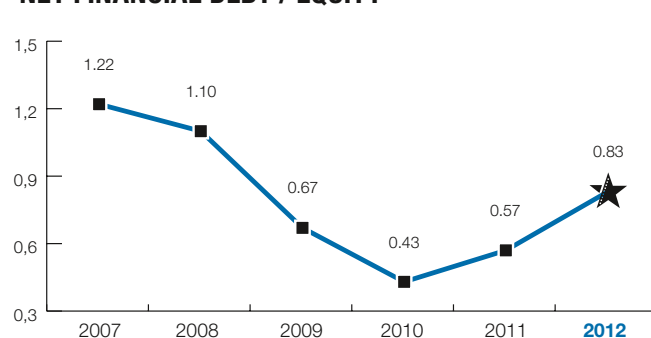
PROFITABILITY RATIOS	2007	2008	2009	2010	2011	2012
EBITDA / Revenue	23.4%	24.2%	24.9%	28.4%	29.4%	28.4%
REBITDA / Revenue		24.3%	25.1%	27.8%	28.3%	29.1%
Gross profit / Revenue	23.4%	24.6%	25.6%	28.0%	31.4%	32.3%
Operating profit / Revenue	11.8%	13.2%	13.8%	18.9%	21.0%	20.3%
Profit / Revenue	6.9%	7.0%	9.6%	11.7%	14.4%	14.0%

FINANCIAL STRUCTURE RATIOS	2007	2008	2009	2010	2011	2012
Net financial debt	138 868	129 248	89 364	66 956	76 501	90 200
Net financial debt / EBITDA	2.80	2.46	1.55	0.98	1.03	1.25
Net financial debt / Equity	1.22	1.10	0.67	0.43	0.57	0.83
Equity / Total equity and liabilities	31.2%	33.3%	38.6%	48.3%	41.0%	33.2%
Current ratio	0.68	0.73	0.59	0.53	0.43	0.61
ROCE	8.3%	9.8%	12.0%	16.0%	19.8%	21.8%

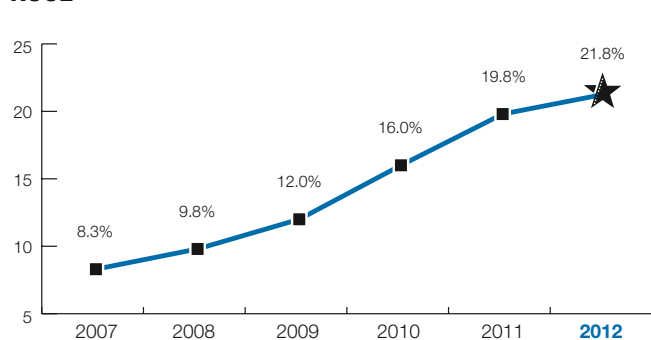
REBITDA / REVENUE



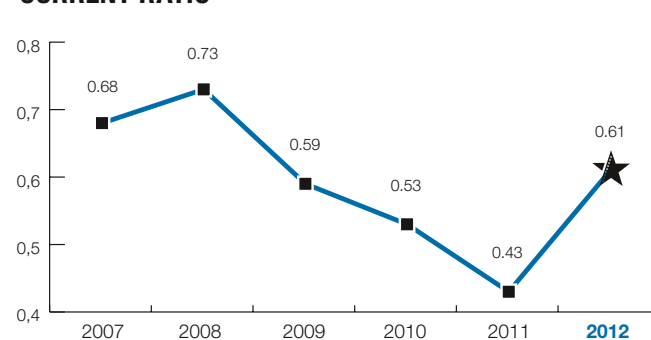
NET FINANCIAL DEBT / EQUITY



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CURRENT RATIO







Annual summary



Word from the Chairman and CEO's

Ladies and Gentlemen,
Dear Shareholders, Customers, Employees,

Kinepolis can look back on last year with great satisfaction. It was not the most simple of years in the recent development of Kinepolis. The visitor figure decreased with 6.9% to 19.8 million. The financial crisis impacted us in Spain, but so too did the Olympic Games, the European football championship and the lack of strong Spanish movies. Furthermore, in 2012 there was no repeat of the success of French movies in 2011 (Intouchables and Rien à Déclarer).

In spite of the lower visitor figure, Kinepolis has managed to further improve the profit per share through the consistent implementation of its three strategic pillars in marketing, cinema operations and real estate, together with the continued roll-out of the share buyback programme. The continuous implementation of its strategy not only helps to improve the experience for film and culture lovers, it also creates shareholder value.

Turnover rose slightly in 2012 due to the higher sales per visitor, the growth of other activities and the integration of Brightfish. The business-to-business activity actually showed significant growth for the fifth successive year. Together with the further improvement of operating efficiency, this resulted in a rise in current EBITDA and current profit. Alongside the share buyback programme implemented in 2012, this rise led to strong value creation for shareholders. Profit per share rose by 11.2% and proposed dividend per share by 31.1%.

Because of the increased profits, Kinepolis also recorded a higher free cash flow and the increase in net financial debt was limited to € 13.7 million after, among other things, the capital optimization, through share buybacks for € 47.9 million, resulting in a very low debt ratio.

During this year, Kinepolis will wrist further along this path and at the same time lay some clear accents to improve its performance in various areas and, by doing so, confirm its role as a trailblazer. Thanks to the strong performance of recent years, Kinepolis has the financial strength to meet the challenges of the future.



From the left: Eddy Duquenne, Philip Ghekiere and Joost Bert

Through its Green Star programme, Kinepolis pays attention to a socially responsible and environmental friendly management. The interaction with the employees is a major factor in the achievement of the goals of this programme.

Kinepolis would like to look back on the positive relationships with her stakeholders. The resilience the company showed in 2012 and the ambitious targets we have set ourselves are primarily the result of the dedication and faith of the employees, customers, film lovers, suppliers, shareholders and all other partners.

We would like to thank each one of you for the confidence you have shown in Kinepolis this past year.

Eddy Duquenne
CEO

Joost Bert
CEO

Philip Ghekiere
President of the Board of Directors

Kinepolis Group in brief



Kinepolis Group was incorporated in 1997, out of the merger between the groups Bert and Claey's, and has been listed since 1998. Kinepolis Group stands for an innovative cinema concept, a blueprint for the industry.

Kinepolis Group owns 23 cinema theatres throughout Belgium, France, Spain, Switzerland and Poland. In addition to its cinema business, the Group is also active in film distribution, event organization, screen advertising and real estate management. 1 800 employees devote themselves to ensuring that 20 million cinema-goers per year have an unforgettable experience.

Mission and strategy

Kinepolis wants to give film and culture lovers a unique experience. It puts together a personalized programme for a diverse target group. Kinepolis wants to create **sustainable value** for film lovers, employees, shareholders, partners and the community. To this end, the three pillars of its strategic model are integrated into the principles of sustainable enterprise.

KINEPOLIS IN EUROPE

COUNTRY	THEATRES	SCREENS	SEATS
Belgium	11	138	38 238
France	7	87	25 051
Spain	3	64	22 059
Switzerland	1	8	1 540
Poland ⁽¹⁾	1	20	7 338
TOTAL	23	317	94 226

(1) operated by the ITIT group



Kinepolis wants to be the **best marketer**



Kinepolis wants to be the **best cinema operator**



Kinepolis wants to be the **best real estate manager**



Structure

The structure of Kinepolis is tailored to its geographic markets and is characterized by a flat organization in which decisions can be taken quickly and goals are harmonized. Kinepolis wants to create sustainable value by maximizing and balancing financial and qualitative indicators. Kinepolis wants to be a self-learning organization with room for initiative and personal development.

Five operating entities

- ★ **Cinema Operations** for cinema exhibition
- ★ **Real Estate** for property management
- ★ **Kinepolis Film Distribution (KFD)** for the distribution of films
- ★ **Brightfish** for screen advertising
- ★ **Digital Cinema Services (DCS)** for technical support

Green Star, the Kinepolis sustainability project



For more information about the sustainability project,
see the new Green Star Brochure on the website.
To access, scan this QR code.



Six core businesses

- ★ **Box office**, ensuing from the sale of cinema tickets
- ★ **In theatre sales (ITS)**, generated by the sale of beverages, snacks and merchandising in theatres
- ★ **Business-to-business (B2B)** through the organization of corporate events and the sale of cinema vouchers and publicity
- ★ **Film distribution** in Belgium through Kinepolis Film Distribution (KFD)
- ★ **Screen advertising** in Belgium through Brightfish
- ★ **Real estate** due to its unique property position



For more general information about Kinepolis Group,
see the Corporate Brochure on the website.
To access, scan this QR code.



The Kinopolis Group share

Kinopolis Group (ISIN: BE0003722361 / mnemo: KIN) is listed on **NYSE Euronext Brussels**, under compartment B, Mid Caps and is 15th on the VLAM21 index list.

Since 28 September 2012 the Kinopolis share has also been part of the **IN.flanders index**, a unique share index with a strong focus on sustainability, developed by VWD Group Belgium in association with KBC Asset Management. The IN.flanders index comprises the share prices of the biggest employers in Flanders. These are not only companies that create jobs in Flanders, but also Flemish companies that strengthen the local economy through international growth.



NUMBER OF SHARES	2008	2009	2010	2011	2012
Number of shares at 31 December	6 930 778	6 930 778	6 930 778	6 581 355	5 856 508
Weighted average number of ordinary shares ¹	6 819 329	6 655 040	6 653 547	6 550 294	5 800 963
Weighted average number of diluted shares ²	6 819 329	6 658 679	6 738 645	6 660 484	5 966 251

SHARE TRADING	2008	2009	2010	2011	2012
Closing price at 31 December (in €)	16.45	29.40	50.99	55.16	81.99
Market value at closing price (in '000 €)	114 011	203 765	353 400	363 028	539 605
Lowest price of the year (in €)	16.20	14.20	28.50	44.5	54.2
Highest price of the year (in €)	34.50	31.03	52.45	59.95	83.61
Traded year volume	1 618 734	2 929 380	4 066 070	2 719 592	2 174 524
Average traded day volume	5 907	11 552	15 977	10 582	8 494

SHARE PRICE EVOLUTION OVER THE PAST FIVE YEARS



(1) Weighted average number of ordinary shares: average number of outstanding shares - average number of treasury shares

(2) Weighted average number of diluted shares: average of number of outstanding shares - average number of treasury shares + number of possible new shares that will be issued under the existing share option plans x dilution effect of the share option plans

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Management report



Discussion of the Results



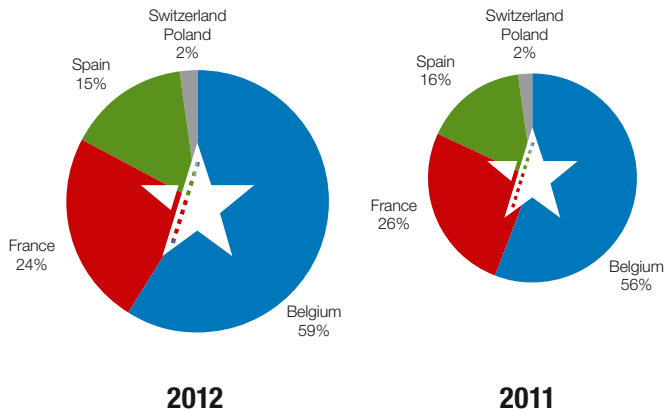
In spite of the lower visitor number compared to the previous year, Kinopolis has managed to further improve the profit per share through the continued consistent implementation of her three strategic pillars in marketing, cinema operations and real estate, together with the continued roll-out of the share buyback programme. The continued implementation of her strategy not only helps improve the experience for film lovers, it also creates shareholder value:

- ★ The number of visitors decreased by 1.4 million to 19.8 million, or 6.9% less than in 2011 due to the impact of the Olympic Games, the European football championship and the crisis in Spain;
- ★ Total turnover rose by 0.3% due to higher revenue per visitor together with the rise in income from other activities and the acquisition of Brightfish in 2011;
- ★ Operating ratios and efficiency continued to improve;
- ★ Current¹ EBITDA² rose by 3.2% to € 74.0 million;
- ★ Current profit increased by 6.3% to € 37.4 million and profit per share rose by 11.2% to € 6.15;
- ★ Proposed dividend per share rose by 31.1% to € 2.36 based on a proposed 35% pay-out ratio and the current number of dividend eligible shares;
- ★ Net financial debt rose to a limited degree by € 13.7 million to € 90.2 million, pursuant to, among other things, share buybacks.

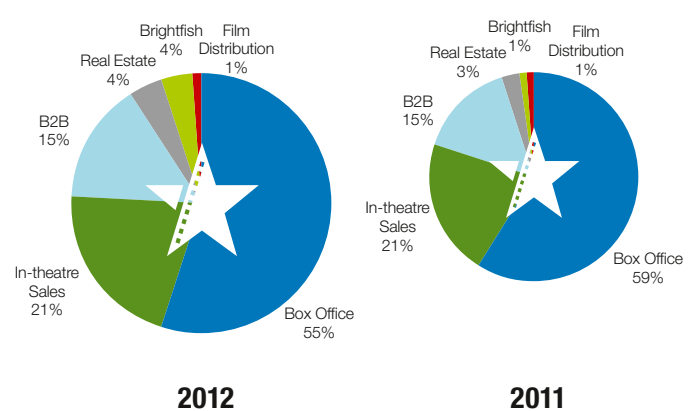
(1) After eliminating non-current transactions

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

REVENUE BY COUNTRY



REVENUE BY ACTIVITY



Revenue

Kinepolis welcomed 19.8 million visitors in 2012, a decrease of 6.9% compared to 2011.

As a result of the stronger movie offering and the favourable cinema weather at the start of the second quarter, the decrease in admissions during the first quarter was limited over the full first semester. Unlike Spain, the number of visitors even increased in Belgium and France.

Film studios held back their big releases during the Olympic Games, which resulted in a shortage of summer blockbusters. This specifically demanded its toll in Belgium and France, where previous accumulative growth in the number of visitors as at the end of the second quarter made way for a decrease compared to 2011.

Visitor numbers did not rise until September in those countries. The number of visitors in Belgium increased in the fourth quarter compared to the same period last year, but not in France, where there were no strong local films to program, such as 'Rien à Déclarer' and 'Intouchables' (2011).

Spain continued to struggle with the severe economic crisis and its consequences, such as the government measure to increase VAT, as from September 2012, and the lack of promising Spanish film productions. Even so, Spain experienced a less strong decrease in the final quarter than in preceding quarters thanks to the successful film 'Lo imposible'.

The accumulated decrease in the total number of visitors was limited in the final quarter thanks to the strong year-end film offering, led by the James Bond movie 'Skyfall'.

The top 5 of 2012 comprised 'Skyfall', 'Ice Age 4: Continental Drift', 'Twilight: Breaking Dawn - Part II', 'The Hobbit: An Unexpected Journey' and 'The Dark Knight Rises'. Hollywood productions claimed

the highest position in the chart in all countries. 'The Broken Circle Breakdown' was the best-visited Flemish film.

Turnover was € 254.5 million, an increase of 0.3% compared to 2011. Revenue rose in spite of the lower visitor figure, thanks among other things to the non-film-related activities, such as business-to-business events (+4.5%), screen advertising (+8.8%) and real estate (+1.6%). The integration of advertising agency Brightfish and the film distribution business of KFD also contributed to the rise in revenue.

Total turnover from ticket sales (box office : -6.2%) and food, beverages and merchandising (in-theatre sales : -0.2%) fell, but both box office and in-theatre sales rose on a per visitor basis.

Revenue was broken down by country and activity, as shown in the graphs above.

Box Office revenue was € 139.9 million, a decline of 6.2% compared to 2011. This revenue decreased less sharply than the visitor figure due to an increased contribution of Belgium, price adjustments to compensate for inflation and VPF ('Virtual Print Fee') revenue.

In-theatre sales (ITS) per visitor rose to a record level (+7.2%), which meant that the decline in the total in-theatre sales was limited to -0.2%, despite the decrease in the number of tickets sold by 6.9%. The higher consumption per visitor was the result of an ongoing optimization of the range and the success of the Mega candy self-service shops. This amount was also positively impacted by the full year effect in 2012 of the roll-out of some additional Mega Candies in 2011.

Business-to-Business (B2B) revenue rose again by 5.3% compared to the same period last year, partly due to the intensive efforts of the B2B teams, who concentrate on the sale of cinema vouchers and business events, among other things. Screen advertising revenue also increased, as the market picked up in Belgium and France.

Real estate revenue increased by 1.6%, due to higher income from existing leases. At the same exchange rate the year-on-year growth was 1.8%. In the context of real estate development, we work further on a number of projects in the pipeline. The premises of Kinopolis Lomme, the largest cinema in France, were recently enlarged to accommodate an impressive climbing wall, which will be ready by the summer of 2013.

Kinopolis Film Distribution (KFD) generated revenue of € 3.0 million, an increase of 32.6% compared to 2011. This increase is thanks to a higher number of film releases and a number of successful films, such as 'The Broken Circle Breakdown', 'K3 Bengeltjes' and 'Expendables 2'. As a distributor of mainly Flemish films, in 2012 KFD also distributed 'Brasserie Romantiek', 'Tot Altijd', 'What to expect when you are expecting' and 'The Women in Black' among other movies. For the first time, KFD also generated revenue from video-on-demand and DVD distribution in 2012.

At the end of 2011 Kinopolis acquired advertising agency Brightfish, whose revenue from advertising, after deduction of the intra-group transactions, is now also recognized in the consolidated figures of the Group (three months in 2011, full year in 2012).

REBITDA¹

Current EBITDA (REBITDA) rose by 3.2% to € 74.0 million thanks to the continued focus on measures to improve efficiency and increase the margin, despite the lower visitor figures. The REBITDA margin rose further to 29.1%, compared to 28.3% in 2011. Marketing and sales costs increased with regard to advertising and investments in talented employees, management and systems. They are connected with the continued implementation of the strategic goal of Kinopolis to be the best marketeer.

Profit for the period

Current profit for the period was € 37.4 million, a rise of 6.3% compared to 2011 (€ 35.2 million). This rise is primarily thanks to higher operating profit and lower tax.

Total profit for 2012 was € 35.7 million, compared to € 36.5 million in 2011, a decline of 2.1%.

The most important non-current items in 2012 were transformation costs (€ -1.2 million), a provision for the ending of leases (€ -0.5 million) and non-recurring costs related to the restructuring after acquisition of the minority share in Kinopolis Nîmes (€ -0.5 million).

The main non-current items in 2011 were the capital gain on the completion of the final phases of the Ghent (Blijweert) real estate project (€ +2.9 million) and the sale of the former Opéra cinema in Liege (€ -0.1 million), transformation costs (€ -0.7 million) and profit from the acquisition of Brightfish NV (€ +0.3 million).

The net finance costs were € 2.7 million higher than in 2011, due to the increase in the interest charges in 2012. This is primarily the consequence of the higher debt after the capital optimization in 2011 and 2012 for € 99.5 million in total. The Group also paid higher interest on the bonds issued in 2012 for € 75.0 million within the framework of its refinancing.

The effective tax rate was 22.1% compared to 27.3% in 2011. The fall in tax is the consequence of the lower pre-tax profit and the accelerated use of tax losses carried forward, partly set off by taxes on intra-group dividends.

Profit per share was € 6.15, an increase of 11.2%. This is due to the higher profit for the period and the purchase and cancellation of treasury shares in 2012, within the framework of the optimization of the capital structure.

Free cash flow² and net financial debt

The free cash flow was € 54.1 million compared to € 54.0 million in 2011.

This stable free cash flow is primarily the consequence of higher EBITDA (corrected for a number of non-cash elements) (€ 0.5 million) and a lower tax burden (€ 2.8 million) and interest paid (€ 0.5 million), largely set off by higher maintenance investments (€ -3.4 million) and lower working capital (€ -0.3 million).

In 2012 capital expenditure was € 12.8 million, € 0.2 million less than the previous year.

The net financial debt of Kinopolis was € 90.2 million at 31 December 2012, an increase of only € 13.7 million compared to the end of 2011 (€ 76.5 million) despite the share buybacks (€ 47.9 million), the acquisition of the remaining non-controlling interest in Forum Kinopolis Nîmes and the dividend pay-out of € 10.6 million. The NFD/EBITDA ratio remained conservative at 1.2 at 31 December 2012, despite the capital optimization.

The total gross financial debt increased by € 24.9 million to € 119.4 million at 31 December 2012 compared to 31 December 2011 (€ 94.5 million).

(1) REBITDA is not a recognised IFRS term. Kinopolis Group defines this term as the current operating profit plus the current depreciations, amortizations, impairments and provisions (including any reversals or uses of these items).

(2) 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 and less interest charges paid.

Statement of financial position

Fixed assets (including those available for sale) of € 270.5 million accounted for 82.6% of total assets at 31 December 2012. This includes land and buildings (including those available for sale and investment property) with a carrying value of € 193.2 million.

As at 31 December 2012 equity was € 108.7 million. Solvency was 33.2%, after further share buybacks in 2012 totalling € 47.9 million.

Line-up

2013 opened strongly with 'Django Unchained' and 'A Good Day to Die Hard'. Other expected blockbusters in 2013 include 'Hunger Games 2', 'Fast and Furious 6', 'Hangover 3', 'Smurfs 2', 'Hobbit 2', 'Mad Max 4', 'Monsters University', 'The Great Gatsby', 'After Earth', 'The Croods' and 'Epic'. Various local films, such as 'Het Vonnis' and 'Frits en Franky' in Flemish, 'Eyjafjallajökull', 'Les Profs' and 'L'extravagant Voyage du Prodigieux Spivet' in French and 'Los Ultimos' and 'Los Amantes Pasajeros' in Spanish enrich the program. Live opera, ballet, theatre and musicals will be supplemented with successful concerts and concert movies such as Shy'm, M Pokora and Andrea Bocelli.

Key events after the end of the fiscal year 2012

There were no key events after the end of the fiscal year.



Corporate Governance Statement

Pursuant to the Belgian Corporate Governance Code of 12 March 2009 (hereinafter the 'Code'), the stipulations of which Kinopolis Group NV subscribes to, the Board of Directors approved on 17 December 2009 a revised version of the Corporate Governance Charter of Kinopolis Group NV of 18 December 2007. The Charter can be found on the Investor Relations website of Kinopolis.

In this chapter of the annual report more factual information is provided on the Corporate Governance policy pursued in the fiscal year 2012, together with an explanation of the deviations from the Code in accordance with the 'comply or explain' principle.

Issued capital

The issued capital at 31 December 2012 was € 18 952 288.41, represented by 5 856 508 shares without nominal value, all of which give the same rights to holders.

After the buyback in 2012 of 713 422 shares of the Company, under the authorization given by the Extraordinary General Meeting of 20 May 2011 and the cancellation by the Board of Directors on 7 September 2012 of 724 847 own shares, Kinopolis held 311 885 treasury shares at 31 December 2012 with a combined capital value of € 1 009 293.

The Extraordinary General Meeting held on 19 October 2012 authorized the Board of Directors to again buy back up to 1 171 301 shares of the Company within a term of five years and under certain conditions with a view to their cancellation.

Rights to nominate candidates for a seat on the Board of Directors

According to the provisions of the articles of association, 8 directors can be appointed from among the candidates nominated by Kinohold Bis SA, limited company under the laws of Luxembourg, insofar as it or its legal successors, as well as all entities directly or indirectly controlled by (one of) them or (one of) their respective legal successors (within the meaning of article 11 of the Companies Code) solely or jointly hold at least 35% of the shares of the Company, both when the candidate is nominated and when the candidate is appointed by the General Meeting, on the understanding that, if the shares held by Kinohold Bis SA or its respective legal successors, as well as all entities directly or indirectly controlled by (one of) them or (one of) their respective legal successors (within the meaning of article 11 of the Companies Code) represent less than thirty-five per cent (35%) of the capital of the Company, Kinohold Bis SA or its respective legal successors shall only be entitled to nominate candidates to the Board of Directors for each group of shares representing five per cent (5%) of the capital of the Company.

Shareholder agreements

Kinopolis Group is not aware of any shareholder agreements that could restrict the transfer of securities and/or the exercise of voting rights in the context of a public acquisition bid.

Change of control

Under the terms of the Credit Agreement concluded on 15 February 2012 between, on the one hand, Kinopolis Group NV and a small number of her subsidiaries, and on the other, Fortis Bank NV, KBC Bank NV and ING Belgium NV, a participating financial institution can end its participation in that agreement, in which case the relevant part of the outstanding loan amount will be immediately due if other natural persons or legal entities than Kinohold Bis SA (or its legal successors) and Mr Joost Bert acquire control (as defined in the Credit Agreement) of Kinopolis Group NV.

Furthermore, in case of a change of control, under the General Terms and Conditions of the Listing and Offering Prospectus dated 17 February 2012 with regard to a bond issue in Belgium, any bond holder will have the right to oblige Kinopolis Group NV to repay the nominal amount of all or a part of the bonds, under the conditions set forth in the Prospectus.

Shareholders' structure and Received notifications

Within the framework of article 74 of the Public Acquisition Bids Act of 1 April 2007, in the fiscal year under review Kinopolis Group NV received an update of the notifications that the Company received on 26 August 2009 from the following persons, acting by mutual agreement (either because they are 'affiliated persons' within the meaning of article 11 of the Companies Code or they are otherwise acting by mutual agreement) and collectively holding more than 30% of the voting shares of Kinopolis Group NV: Kinopolis Group NV, Kinohold Bis SA, Stichting Administratiekantoor Kinohold, Marie-Suzanne Bert-Vereecke, Joost Bert, Koenraad Bert, Geert Bert and Peter Bert.

From this update, from later transparency notifications (within the framework of the Act of 2 May 2007 and the Royal Decree of 14 February 2008 on the disclosure of major stakes) and from reports within the framework of the share buy-back program, as of 31 December 2012:

- Kinohold Bis SA held 2 540 010 shares or 43.37% of the shares of the Company; Kinohold Bis SA is controlled by Stichting Administratiekantoor Kinohold under Dutch law, which in turn is jointly controlled by the following natural persons (in their capacity as directors of Stichting Administratiekantoor Kinohold): Marie-Suzanne Bert-Vereecke, Joost Bert, Koenraad Bert, Geert Bert and Peter Bert; Kinohold Bis SA otherwise acts in close consultation with Joost Bert;
- Kinopolis Group NV, which is controlled by Kinohold Bis SA, held 311 885 shares or 5.33% treasury shares;
- Mr Joost Bert, who acts in close consultation with Kinohold Bis SA, held 41 600 shares or 0.71% of the shares of the Company.

SHAREHOLDERS' STRUCTURE at 31 December 2012

SHAREHOLDER	NUMBER OF SHARES	%
Kinohold BIS and Mr Joost Bert	2 581 610	44.08
Kinepolis group NV	311 885	5.33
Free Float, of which:	2 963 013	50.59
- Axa SA ⁽¹⁾	305 479	5.22
- Ameriprise Financial Inc (Threadneedle)	266 256	4.55
- BNP Paribas Investment Partners	194 659	3.32
TOTAL	5 856 508	100

(1) To date, this stake is at 5.20%, as shown by a transparency declaration of 22 March 2013.

Amendments to the articles of association

Amendments can be made to the articles of association with due consideration for the stipulations in the Companies Code.

Board of Directors and Special Committees

Composition of the Board of Directors

The Board of Directors consists of seven members, four of whom are independent of the majority shareholders and management. These four directors fulfil the criteria for independent directors as stated in the Article 526 ter of the Companies Code and were appointed upon nomination by the Board of Directors, which was advised on this matter by the Nomination and Remuneration Committee. The majority shareholders did not use their nomination right with regard to these appointments.

The Board regularly reviews the criteria for its composition and for the composition of its committees, based on existing and future developments and expectations, as well as its strategic objectives. Over the coming years the Board of Directors will give further attention to the diversity of its members, including gender diversity, and make appropriate efforts to bring the composition into line with the requirements of Article 518 bis of the Companies Code within the terms laid down there. Within this framework, the market is regularly screened to identify potentially suitable profiles.

Contrary to Stipulation 2.9 of the Belgian Corporate Governance Code 2009, the Board of Directors has not appointed a secretary, as it believes these duties can be fulfilled by the Chairman assisted by the corporate lawyer, bearing in mind the limited size of the Company.

The table on the next page shows the composition of the Board of Directors as well as the attendance record of the various directors with respect to the fourteen meetings that took place in 2012.

Activity Report of the Board of Directors

In addition to the duties assigned to the Board of Directors by the Companies Code, the articles of association and the Kinepolis Cor-

porate Governance Charter, the following items were handled on a regular basis:

- Review of the monthly actual revenues and financial results together with the forecasts;
- Progress reports of the client and personnel satisfaction index;
- Progress reports of the net promotor score of experience and film offer;
- Progress reports on ongoing cinema and real estate projects;
- Up-to-date treasury situation and cash flow planning.

Appropriate attention was also given inter alia to the following items:

- Discussion and establishment of the profit plan for the following fiscal year;
- Discussion and decision on new cinema and property opportunities;
- Establishment of the short-term and long-term strategy, including the financing strategy;
- Discussion on refinancing;
- Launch of the share buyback programs in the context of the optimization of the capital structure;
- Reports of the Nomination and Remuneration Committee and the Audit Committee;
- Evaluation and establishment of the quantitative and qualitative management targets for Executive Management;
- Assessment of the functioning of the Board of Directors and its committees.

Other items, including human resources, external communication, investor relations, disputes and legal issues are addressed as needed or desired.

At least seven meetings are scheduled in 2013. Extra meetings can be held if necessary.





BOARD OF DIRECTORS (from the left): Raf Decaluwé, Eddy Duquenne, Philip Ghekiere, Joost Bert, Geert Vanderstappen, Marc Van Heddeghem and Marion De Bruyne

DIRECTORS AS PER 31 DECEMBER 2012

NAME	POSITION	TERM ENDS	OTHER POSITIONS AT LISTED COMPANIES	ATTENDANCE RECORD (14)
Mr. Philip Ghekiere ⁽¹⁾⁽²⁾	Chairman	2016	/	13 meetings
Mr. Eddy Duquenne	CEO	2016	/	All meetings
Mr. Joost Bert ⁽²⁾	CEO	2016	/	All meetings
Mr. Geert Vanderstappen, permanent representative of Management Center Molenberg bvba ⁽¹⁾	Independent Director	2014	Spector Photo Group NV: Director	11 meetings
Mr. Marc Van Heddeghem ⁽¹⁾	Independent Director	2014	Leasinvest Real Estate Bevak: Director / Befimmo NV: Director	9 meetings
Mrs. Marion Debruyne, permanent representative of Marion Debruyne bvba ⁽¹⁾	Independent Director	2015	/	12 meetings
Mr. Rafaël Decaluwé, permanent representative of Gobes Comm. V ⁽¹⁾	Independent Director	2015	Jensen Group NV: President	9 meetings

(1) Non-executive director

(2) Represent the majority shareholders

Composition and activity report of the Nomination and Remuneration Committee

In accordance with the possibility provided for in the Corporate Governance Code, Kinopolis Group has one joint committee - the Nomination and Remuneration Committee. At 31 December 2012 this committee comprised the following non-executive directors, the majority of whom were independent directors with the necessary expertise and professional experience in human resources, bearing in mind their previous and/or current business activities:

- Mr. Philip Ghekiere (Chairman Kinopolis Group NV and Investment Director at NPM Capital);
- Mr. Marc Van Heddeghem (former Managing Director of Redevco Belgium);
- Mr. Rafaël Decaluwé (former CEO of Bekaert NV).

The Chief Executive Officers attend the meetings of the Nomination and Remuneration Committee by invitation.

The Nomination and Remuneration Committee met 3 times in 2012 (for one of which Mr. Rafaël Declauwé was excused) and mainly dealt with the following:

- Proposals to set the qualitative and quantitative management targets with regard to the fiscal year 2012 for Executive Management and the corresponding variable remuneration and out-performance bonus;
- Evaluation of the attainment of the management targets with regard to the fiscal year 2011 and the variable remuneration and out-performance bonus of Executive Management for that fiscal year;
- Proposals to fill the open directorships;
- Gender diversification procedure with regard to the composition of the Board of Directors;
- Future remuneration policy for Executive Management;
- Assessment of the functioning of the Board of Directors and its committees;
- The Remuneration Report proposal to be submitted to the Board of Directors.

Composition and activities report of the Audit Committee

Pursuant to Article 526 bis of the Companies Code, as at 31 December 2012, the Audit Committee was exclusively composed of non-executive and independent directors with the appropriate expertise and professional experience in accounting and auditing, bearing in mind their previous and/or current business activities:

- Mr. Geert Vanderstappen combines 5 years' experience as Corporate Officer at Generale Bank's Corporate & Investment Banking with 7 years' operational experience as CFO at Spector Photo Group and is now Managing Partner at Pentahold;
- Mr. Rafaël Decaluwé is a former CEO of Bekaert NV and had a long career in financial management positions at a number of multinationals, including Samsonite, Fisher-Price and Black & Decker.

The Chief Financial Officer, the Chief Executive Officers and the internal auditor attend the meetings of the Audit Committee.

The representatives of the majority shareholders may attend meetings upon invitation.

In 2012 the Audit Committee met four times, two in the presence of all members, and primarily the following items were handled:

- Discussion on financial reporting in general and the unconsolidated and consolidated annual and interim financial statements in particular;
- Discussion, establishment and monitoring of the internal audit activities, including the discussion of the annual report of the Internal Audit department;
- Discussion and evaluation of the internal control and risk management systems as well as the 2012 risk management action plan;
- Evaluation of the effectiveness of the external audit process;
- Monitoring of the financial reporting and its compliance with the applicable reporting standards;
- Discussion of the proposed Code of Conduct.

Evaluation of the Board of Directors, its committees and its individual directors

Under its Chairman, the Board of Directors regularly evaluates its own size, composition, performance and those of its committees.

The Chairman of the Board of Directors initiates the evaluation process on the basis of a written procedure, the results of which are analyzed and discussed at the Nomination and Remuneration Committee as well as at the Board of Directors, where the appropriate conclusions are drawn.

After the extensive evaluation carried out in 2011 and bearing in mind that the Board of Directors has remained virtually unchanged in the meantime, in 2012 the Nomination and Remuneration Committee restricted itself to a concise evaluation of the functioning and composition of the Board and its committees.



Executive Management

Executive Management consists of the two Chief Executive Officers. The Board of Directors is authorized to appoint additional members of Executive Management.

Insider Trading Policy - Code of Conduct - Transactions with related parties

The Company's policy on insider trading is included in an Insider Trading Protocol that applies to the members of the Board of Directors, the Chief Executive Officers and other persons who might have inside knowledge. The Protocol is designed to ensure that share trading by the persons in question only occurs strictly in accordance with the Act of 2 August 2002 on the Supervision of the Financial Sector, and in accordance with the guidelines issued by the Board of Directors. The CFO is responsible, as Compliance Officer, for monitoring compliance with the rules on insider trading as set out in this Protocol.

The Code of Conduct approved by the Board of Directors in 2012 containing the appropriate guidelines, values and standards with regard to the ethical and fitting way Kinopolis wishes to treat employees, customers, suppliers, shareholders and the general public was implemented at the beginning of 2013.

The transactions with related parties as included in point 29 of the Notes to the Consolidated Financial Statements were conducted in complete transparency with the Board of Directors.

Remuneration Report

Kinopolis Group strives to provide transparent information on remuneration of members of the Board of Directors and Executive Management to its shareholders and other stakeholders.

Procedure for establishing the remuneration policy and level for the Board of Directors and Executive Management

Principles

The principles of the remuneration policy and level for the directors and Executive Management are stated in the Company's Corporate Governance Charter.

The remuneration policy is designed in such a way that the remunerations for the directors and Executive Management are reasonable and appropriate enough to attract, retain and motivate the persons meeting the profile established by the Board of Directors, with due consideration for the size of the Company and the external benchmark data.

The following principles are also employed:

- For the fulfilment of their duties as a member of the Board of Directors, the non-executive directors receive a fixed amount taking account of an attendance of a minimum number of meetings of the Board of Directors;
- The members of the committees are allocated a fixed amount every time they attend a meeting for the committee, with additional fixed remuneration for the chairman of the Audit Committee;

- The Chairman of the Board of Directors and the Chief Executive Officers are allocated a fixed annual amount for attending the meetings of the Board of Directors. The fixed amount allocated to the Chairman comprises the remuneration for participation in and chairmanship of the Board of Directors and the Nomination and Remuneration Committee. From fiscal year 2013, analogous to the situation of the chairman of the audit committee, the remuneration of the Chairman of the Nomination and Remuneration Committee comprises remuneration for each meeting attended plus fixed remuneration as chairman of this committee;
- The non-executive directors do not receive any bonuses, participation in long-term share-based incentive programs, benefits in kind (with the exception of the right to attend a number of film screenings each year) or benefits related to pension plans;
- Alongside fixed remuneration, Executive Management receives variable remuneration dependent on the attainment of the management targets set by the Board of Directors on the recommendation of the Nomination and Remuneration Committee. These targets include both quantitative targets set annually, the criterion for which is the attainment of a certain level of consolidated current net profit, and qualitative targets, which are defined as targets that are to be attained over several years, progress of which is evaluated on an annual basis. The variable part of the remuneration ensures that the interests of Executive Management run parallel to the Group's, lead to value creation and loyalty, and provide the appropriate incentive to optimize the short-term and long-term objectives of the Group and its shareholders;
- As well as this variable remuneration, an out-performance bonus may be allocated to Executive Management if the quantitative targets are substantially exceeded. Long-term incentives in the form of share options or other financial instruments of the Company or its subsidiaries may also be allocated to Executive Management. The remuneration package for Executive Management may additionally include participation in the corporate pension plan and the use of a company car;
- The Company's formal right to claim back variable remuneration and out-performance bonus granted on the basis of incorrect financial data was not explicitly provided for in such cases;
- The exit compensation of a member of Executive Management in the event of early termination of a contract (entered into after 1 July 2009) will not exceed 12 months' basic and variable remuneration. A higher compensation may be granted in specific justifiable circumstances, on the recommendation of the Nomination and Remuneration Committee and with the prior approval of the General Meeting, but may never exceed 18 months' basic and variable remuneration. In any event, the exit compensation may not exceed 12 months' basic remuneration and the variable remuneration cannot be taken into account if the departing person has not met the performance criteria referred to in his or her contract.

Procedure

The annual overall remuneration for the members of the Board of Directors will be established by the General Meeting following a proposal from the Board of Directors (on the basis of the recommendation by the Nomination and Remuneration Committee), which will be based on the amounts set in the past, with due regard for a minimum number of actual meetings of the Board of Directors and its committees. The granting of the overall portfolio to the individual

members is a decision of the Board of Directors on the recommendation of the Nomination and Remuneration Committee, based on their actual attendance at the various meetings of the Board of Directors and its committees.

The above mentioned amounts were set in 2011 and are based on benchmarking using surveys conducted by independent third parties with regard to listed and other companies and resulted in the following remunerations:

- € 85 000 as fixed remuneration for the Chairman of the Board of Directors and the Nomination and Remuneration Committee;
- € 30 000 as fixed remuneration for attendance by the Chief Executive Officers of the meetings of the Board of Directors;
- € 32 500 for the actual attendance of the other directors of six or more meetings of the Board of Directors; the remuneration will be reduced proportionately if fewer meetings are attended;
- € 3 000 for attendance of a meeting of the Audit Committee or the Nomination and Remuneration Committee;
- € 3 750 as additional fixed remuneration for the chairman of the Audit Committee;

The Board of Directors determines the remuneration as well as the remuneration policy of Executive Management based on the proposal of the Nomination and Remuneration Committee, with due consideration for the relevant contractual stipulations and benchmark data from other comparable listed companies to ensure that these remunerations are in line with market rates, bearing in mind the duties, responsibilities and management targets.

The management targets to which the variable remuneration is linked and the amount of these objectives are proposed annually by the Nomination and Remuneration Committee and approved by the Board of Directors. The Board of Directors evaluates the

attainment of these quantitative and qualitative targets on the basis of an analysis by the Nomination and Remuneration Committee. The attainment of the quantitative targets will be measured against current net profit on a consolidated basis. The qualitative targets to be attained over more than one year will be evaluated on an annual basis against progress towards each specific target.

On the proposal of the Board of Directors, which is of the opinion that the quantitative and qualitative management targets are set to also favour the long-term goals of the Company, on 20 May 2011 the General Meeting approved the proposal to base the integral annual variable remuneration of the CEO's for the fiscal years 2011, 2012 and 2013 on objective and measurable performance indicators agreed in advance and always measured over a period of one year, in accordance with article 520 ter of the Companies Code.

Application of the remuneration policy on the members of the Board of Directors

In line with the remuneration policy and its underlying principles, the non-executive directors of the Company were remunerated for their services in the past fiscal year on the basis of the amounts set in the fiscal year 2011. The individual remuneration of directors in the fiscal year 2012 is shown in the table below. All amounts are gross amounts before deduction of tax.

In the year under review, the non-executive directors received no other remuneration, benefits, share-based or other incentive bonuses from the Company.

All members of the Board of Directors as well as directors of the subsidiaries of the Company are also covered by a "civil liability of directors" policy, the total premium of which € 23 557, including tax, is paid by the Company.

NAME	TITLE	REMUNERATION 2012 (IN €)
BOARD OF DIRECTORS AS AT 31 DECEMBER 2012		
Philip Ghekiere	Chairman	85 000
Eddy Duquenne	CEO	30 000
Joost Bert	CEO	30 000
Geert Vanderstappen (Management Center Molenberg bvba)	Independent Director	48 250
Marc Van Heddeghem	Independent Director	41 500
Marion Debruyne (Marion Debruyne bvba)	Independent Director	32 500
Rafael Decaluwé (Gobes Comm. V)	Independent Director	44 500
TOTAL		311 750



Application of the remuneration policy on the members of Executive Management

With due consideration for the benchmark data, the duties, responsibilities and management targets, in 2011 the remuneration package for Executive Management for the fiscal years 2011-2012 was set by the Board of Directors based on the proposal of the Nomination and Remuneration Committee. By which:

- Contrary to the existing contractual agreements, it was decided to no longer apply the annual adjustment in line with the consumer price index;
- The ratio of qualitative and quantitative targets will be 30/70;
- The following amounts will be applied for BVBA Eddy Duquenne:
 - fixed remuneration: € 330 000
 - maximum variable remuneration: € 265 000
 - maximum out-performance bonus: € 150 000
- The following amounts will be applied for Mr. Joost Bert:
 - fixed remuneration: € 285 000
 - maximum variable remuneration: € 215 000
 - maximum out-performance bonus: € 75 000

The final amount of variable remuneration to allocate to the Executive Management depends on the fulfilment in 2012 of the annual management targets, which apply collectively to Executive Management and comprise both quantitative targets, of which the criterion is the attainment of a certain level of consolidated current net profit, and qualitative targets. The targets were established to ensure that they help attain not only the short-term goals but also the long-term goals of the Group.

In addition to this variable remuneration and if the quantitative management targets are substantially exceeded, the Board of Directors, on the recommendation of the Nomination and Remuneration Committee, has the discretionary power to allocate an out-performance bonus, the annual amount of which is set by the Board of Directors.

The above mentioned remunerations and out-performance bonuses will be paid out in 2013 if the 2012 targets are attained.

In the fiscal year 2012, given the fulfilment of the quantitative and qualitative management targets accounting for 70% and 30% respectively of the variable remuneration, as set by the Board of Directors assisted by the Nomination and Remuneration Committee, the variable remuneration was paid out in full to the members of Executive Management in a total amount of € 480 000. An out-performance bonus of € 225 000 was also paid out, because the quantitative targets were substantially exceeded in 2011.

Finally, it can be noted that, pursuant to contractual agreements reached prior to 1 July 2009, in the event of the early termination of the contract of one of the members of Executive Management and if there is a change in the control of the Company, the exit package can be 24 months fixed remuneration plus the pro-rata part of the variable remuneration for the ongoing year.

Long-term incentives

The goal of the 2007-2016 Share Option Plan (the 'Plan') approved by the Board of Directors on 5 November 2007 and enlarged on 25 March 2011 is to support and achieve the following corporate and human resources policy targets:

- To encourage and reward the executive directors and management staff of the Company and its subsidiaries, who are able to contribute to the long-term success and growth of the Company and its subsidiaries;
- To assist the Company and its subsidiaries in attracting and retaining directors and management staff with appropriate experience and skills; and
- To link the interests of the directors and management staff more closely to those of the shareholders of the Company and give them the possibility of sharing in the created value and growth of the Company.

Under this Plan, no options were allocated or exercised in 2012. 7 800 not yet vested options forfeited in 2012.

69 308 options each were granted to the Chairman⁽¹⁾ and the CEO's in 2008. In 2009 management staff were granted 30 000 options, 15 000 in 2010 and 47 500 in 2011.

A further description of the characteristics of these options is provided in point 21 of the Notes to the Consolidated Financial Statements.

(1) In his former capacity of Executive Director

The table below provides an overview of the fixed part of the remuneration, the other components of the remuneration (such as pension contributions, insurances and car allowances) as well as the variable part.

NAME	REMUNERATION	AMOUNTS (EXCL. VAT) (IN €)
CEO		
Eddy Duquenne bvba	Fixed remuneration ⁽¹⁾	330 000
	Variable remuneration ⁽²⁾	265 000
	Outperformance bonus ⁽²⁾	150 000
	Car allowance ⁽⁴⁾	37 095
	TOTAL	782 095
Joost Bert	Fixed remuneration ⁽¹⁾	285 000
	Variable remuneration ⁽²⁾	215 000
	Outperformance bonus ⁽²⁾	75 000
	Pension scheme ⁽³⁾	10 102
	Car allowance ⁽⁴⁾	33 283
	TOTAL	618 385

(1) Other than remuneration received as a member of the Board of Directors (which amounts to € 30 000 for each director)

(2) Received in 2012 for performances in 2011

(3) Mr. Joost Bert participates in a supplementary pension scheme providing for an annual indexed fixed contribution

(4) Indexed annually and excl. granted fuel card

Fiscal years 2013-2014

Bearing in mind the efficient and high quality way in which the Board of Directors is led and after analysis of remunerations at similar companies, the Board of Directors has decided, subject to the approval of the General Meeting of the overall remuneration portfolio for the Board of Directors, to adjust the remuneration for the Chairman of the Board of Directors for the fiscal year 2013 and beyond as follows:

- € 87 250 for the chairmanship of the Board of Directors;
- € 3 750 for the chairmanship of the Nomination and Remuneration Committee;
- € 3 000 for attendance of each meeting of the Nomination and Remuneration Committee.

To permanently bring the remuneration of the Executive Management into line with the remuneration applicable at comparable companies and bearing in mind the sustained improvement in the results and value creation for the Company and its shareholders, the Board of Directors has decided, based on a proposal of the Nomination and Remuneration Committee and after an external study into the remuneration of Executive Management at comparable listed companies, to raise BVBA Eddy Duquenne's fixed remuneration by € 55 000, maximum variable remuneration by € 30 000 and maximum out-performance bonus by € 15 000 for the fiscal years 2013-2014. BVBA Eddy Duquenne is also entitled to charge € 750 a month as compensation for expenses. Mr. Joost Bert's fixed remuneration will be raised by € 15 000.

Finally, subject to the approval of the General Meeting and in accordance with article 520 ter of the Companies Code, the full yearly variable remuneration of the Executive Management for the fiscal years 2014 - 2016 will be based on predefined objective and measurable targets, which will each time be measured over a one-year period.



Description of the main characteristics of the internal control and risk management system

Kinepolis Group NV uses the Integrated Framework for Enterprise Risk Management as developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework integrates internal control and risk management processes with the purpose of identifying and managing strategic, operational and reporting risks as well as complying and regulatory risks as to enable the achievement of the corporate objectives.

Kinepolis Group uses this framework to implement a system of Risk Management or to control the above risks in the business processes and financial reporting. The system is developed centrally and is as much as possible uniformly applied in the various parts of the organization and subsidiaries. The system fills in the various components, as prescribed by the reference model, as well as the various roles and responsibilities with regard to internal controls and risk control.

Roles and responsibilities

Within Kinepolis Group, risk management is not the exclusive responsibility of the Board of Directors and Executive Management; every employee is responsible for the proper and timely application of the various risk management activities within the scope of his or her job.

The responsibilities regarding risk management of the Board of Directors (and its various committees) and Executive Management are established and described in detail in legal stipulations, the Belgian Corporate Governance Code 2009 and the Kinepolis Corporate Governance Charter. In brief, it can be stated that Executive Management bears final responsibility for the appropriate implementation and management of the risk management system, whereas the Board of Directors has a supervisory role in this matter.

The implementation and management of the risk management system is based on a pyramidal responsibility structure in which each manager is responsible not only for the proper introduction and application of the risk management processes within the scope of his or her job but also has a duty to monitor its proper implementation by his or her direct reports (who may in turn be managers). In this way, management can be confident of proper and comprehensive risk management throughout the Company and have peace of mind that related risks in the various business processes and departments are tackled in an integrated way.

Application of the various components

The way in which the Company applies the various components of the COSO framework is outlined below. This description covers only the most important elements and is therefore not exhaustive. In addition, the appropriateness of the application is regularly evaluated and so permanently subject to change.

Internal Control Environment

An appropriate internal environment is a precondition of being able to effectively apply other risk management components. With this in mind, Kinepolis Group values integrity and ethical action

highly. Alongside the existing legal framework, Kinepolis Group endeavours to encourage and enforce this type of behaviour through preventive measures (such as work regulations, various policies and procedures) and detection measures (such as the reporting procedure and compliance inspections).

Another important aspect of the internal environment is the organizational structure. Kinepolis has a clear and uniform organizational structure, which fits within the various countries and business processes. The organizational structure, the determination of the various objectives, management of the budget and the remuneration process are also aligned to each other.

In addition, correct employee training and guidance is essential to the proper application of risk management. To this end, the training needs of every employee are examined on an annual basis, distinct from the existing compulsory courses for certain jobs. An introductory risk management course is also given to new managers, on an annual basis.

Objective setting

Business objectives are established over various durations in line with the Kinepolis mission. As described in the Corporate Governance Charter, these are confirmed on an annual basis by the Board of Directors, which also ensures they are in line with the Company's risk appetite.

The (financial and non-financial) objectives established at consolidated level are gradually developed into specific objectives for individual countries, business units and departments on an annual basis. The lowest level is the determination of the individual objectives for each employee. The attainment of these objectives is linked to the remuneration policy.

Progress with regard to these objectives is regularly assessed through business controlling activities based on management reports. The individual objectives are assessed at least once every year as part of a formal HR evaluation process.

Internal Control

Internal Control is defined as the identification and assessment of business risks as well as the selection, implementation and management of the appropriate risk responses (including the various control activities).

As stated above, it is first and foremost the duty of every manager to properly set up and implement the various internal risk management activities (including monitoring) within the scope of his or her job. In other words, each line manager is responsible for the appropriate and timely identification and evaluation of business risks and the ensuing control measures to be taken and managed. Although the individual line manager has some latitude when applying these rules, Kinepolis endeavours to standardize the process as much as possible. This is achieved by organizing corporate ERM training sessions, implementing the structured policy guidelines and procedures, and using standard lists of internal audits to be conducted.

The Board of Directors and Management of Kinepolis conduct an annual risk assessment to acquire a general understanding of the business risk profile. The acceptability of residual risks is also

assessed as part of this. If these are not acceptable, additional risk response measures are taken.

Information and Communication

The appropriate structures, consultation bodies, reporting and communication channels have been set up within Kinepolis Group for business operations in general and risk management in particular to ensure that the information required for those operations, including risk management, is made available to the appropriate persons in a timely and proper way. The information in question is retrieved from data warehouse systems that are set up and maintained in such a way as to meet the reporting and communication requirements.

Monitoring

In addition to the monitoring activities by the Board of Directors (including the Audit Committee) as stipulated in legal provisions, the Corporate Governance Code 2009 and the Corporate Governance Charter, Kinepolis primarily relies on the following monitoring activities:

- Business Controlling.
The Management, supported by the Business Controlling department, analyzes the progress made towards the targets and explains the discrepancies on a monthly basis. This analysis may identify potential improvements that could be made to the existing risk management activities and measures.
- Internal Audit.
The existing risk management activities and measures are evaluated and compared with internal rules and best practices on a regular basis by the Internal Audit department. Potential improvements are discussed with Management and lead to the implementation of action points that further enhance risk management.

Description of the main business risks

On an annual basis, the Board of Directors and Management conduct a risk assessment to gain insight into the main business risks, which assessment is subsequently analyzed and approved by the Board of Directors. As in previous years, in 2012 this occurred on the basis of a written survey of the participants to gain both quantitative and qualitative results, enabling risks to be assessed in order of scale. Although this way of working enables Kinepolis to distinguish important risks from less important risks in a well-founded way, it remains an estimation that, inherent to the definition of risk, provides no guarantee whatsoever of the actual occurrence of risk events. The following list therefore contains only some of the risks to which Kinepolis is exposed.

Availability and quality of supplied material.

Bearing in mind that Kinepolis Group NV does not produce any material itself (such as movies), it is dependent on the availability, diversity and quality of movies as well as the possibility of being able to rent this material from distributors. Kinepolis Group NV endeavours to protect itself wherever possible by maintaining good long-term relations with the major distributors or producers, by pursuing a content diversification policy and by playing a role as distributor in Belgium. The investments in Tax Shelter projects should also be viewed in this light.

Seasonal effects

The operating revenues of Kinepolis Group can vary from period to period, because the producers and distributors decide when their movies are released completely independently of the cinema operators and because certain periods, such as holidays, can traditionally have an impact on visitor numbers. The weather can also play an important role in the frequency of cinema visits. Kinepolis largely accepts this risk, considering that the costs of a financial hedging policy would exceed the revenue from it, but endeavours to mitigate the consequences among other things by variabilizing its cost structure.

Competition

Kinepolis Group's position as a cinema operator is subject to competition just like every other product or service for which substitution exists. Kinepolis Group's position is also impacted by increasing competition from other leisure activities, such as concerts and sporting events, which can influence the behaviour of Kinepolis customers. This competition comes from the cinemas of other operators – both existing and prospective – in the markets where the Group is active and from the increasing distribution and availability of movies through non-cinema channels, such as video-on-demand, pay-per-view and internet. This development can also be influenced by the shortening of the period ordinarily observed by the distributors, between the first screening of a movie in the cinema and its availability through other channels, as well as the constant technical improvement in the quality of these alternative ways of watching movies. Besides these legal alternatives, the cinema industry also has to deal with illegal downloads. Kinepolis is working actively with distributors to agree measures to counter any increasing illegal sharing of material online.

Kinepolis strives to strengthen its competitive position as a cinema operator by implementing its strategic vision, which is focused on being able to provide customers with a premium service and film experience.

Economic situation

Changes to the general, global or regional economic situation or the economic situation in areas where Kinepolis Group NV is active and that can impact consumer behaviour and the production of new movies, can have a negative impact on Kinepolis Group's operating profits. Kinepolis endeavours to arm itself against this threat by being rigorously efficient and closely monitoring and controlling costs and margins. Changing economic conditions can also increase competitive risks.

Risks associated with current and future acquisitions

In the event of any acquisition, competition authorities can impose conditions and restrictions with regard to the growth of Kinepolis Group (see also 'Political, regulatory and competition risks' below). Certain inherent risks are also associated with any acquisition that can have a negative impact on the goals set. With this in mind, Kinepolis Group will thoroughly examine acquisition opportunities in advance, to ensure these risks are properly assessed and, where necessary, controlled.

Political, regulatory and competition risks

Kinepolis Group strives to operate within the legal framework at all times. However, additional or amended legislation, including tax



laws, could restrict Kinopolis' growth and/or operations or result in additional investments or costs. Where possible, Kinopolis Group actively manages these risks by notifying the relevant political, administrative or legal bodies of its positions and defending them in an appropriate way. Belgium's Competition Council has imposed a number of conditions and restrictions on Kinopolis Group, such as the need for its prior approval of plans to build new cinema multiplexes or acquire existing cinema multiplexes in Belgium.

Technological risks

Cinema has become a highly computerized and automated sector in which the correct technological choices and optimal functioning of projection systems and other ICT systems are critical to be able to offer customers optimal service. Kinopolis Group manages these risks by closely following the latest technological developments, regularly analyzing system architecture and, where necessary, optimizing and implementing best ICT practices.

Employee risks

As a service company, Kinopolis Group largely depends on its employees to provide high-quality service. Hiring and retaining the right managers and employees with the requisite knowledge and experience in all parts of the Company is therefore a constant challenge. Kinopolis accepts this challenge by offering attractive terms of employment, good knowledge management and a pleasant working atmosphere. Kinopolis measures employee satisfaction on the basis of employee surveys and where necessary improves its policies.

Natural disasters

Natural disasters or geopolitical events in a country where Kinopolis Group is active and that result in material damage to one of the multiplexes, a fall in the number of customers or disruption in the delivery of products can have a negative impact on activities. Kinopolis strives to minimize the potential impact of such risks through a combination of preventive (such as construction decisions, evacuation planning) and detection measures (such as fire detection systems) and by taking out proper insurance.

Environmental liability and property risks

The property that Kinopolis Group owns and leases is subject to regulations with regard to environmental liability and potential property risks. In addition to the above mentioned measures to control political and regulatory risks, Kinopolis will take appropriate measures to prevent environmental damage and limit property risks.

Other risks

Besides the above mentioned business risks, Kinopolis Group can also be exposed to a number of operating and other risks. A number of more specific risks and uncertainties relevant to the Kinopolis Group are briefly described below.

With regard to the building permit for the Kinopolis complex in Ostend (Belgium), cancelled on 30 September 2008, it can be reported that at the beginning of 2013 the Provincial Executive approved the municipal spatial planning plan (GRUP) established by the City of Ostend in 2012 for the area in question. As a consequence, a new building permit can be granted to regularize the existing situation of Kinopolis Ostend.

Finally, Kinopolis Group has taken note of the development and renovation of the Heyzel plateau planned by the City of Brussels (Belgium) and is very confident of a good outcome to the action initiated at the beginning of 2011 by Tentoonstellingspark van Brussel (TPB), the owner of Brussels Expo, to end the concession agreement that governs the presence of Kinopolis at the Heyzel site due to alleged non-compliance with this agreement.

Use of financial instruments

Kinopolis Group is exposed to a number of financial risks in its daily operations, such as interest risk, currency risk, credit risk and liquidity risk.

Derivative financial products concluded with third parties can be used to manage these financial risks. The use of derivative financial products is subject to strict internal controls and rules. It is Group policy not to undertake any trading positions in derivative financial instruments.

Kinopolis manages its debts by combining short-, medium- and long-term borrowings. The mix of debts with fixed and floating interest rates is established at Group level. At the end of December 2012 the Group's net financial debt was € 90.2 million. Kinopolis has concluded interest swap agreements to manage the risk associated with interest fluctuations. The nominal amount of these interest hedges was € 35 million at 31 December 2012.

The Notes to the Consolidated Financial Statements provide a detailed description of how the Group manages the aforementioned risks.

Compliance with the Corporate Governance Code

Kinepolis Group NV complies with the principles of the Belgian Corporate Governance Code.

In line with the 'comply or explain principle', the Company has decided that it was in the best interests of the Company and its shareholders to depart from the stipulations of the Code in a limited number of specific cases in addition to the circumstances described above:

- Contrary to Stipulation 5.5 of the Code, the Board of Directors believes that, bearing in mind its own limited composition, an Audit Committee comprising two independent members – both with the requisite auditing and accounting expertise – provides sufficient guarantees with regard to the efficient functioning of the committee;
- Contrary to Stipulation 7.13., the Board of Directors approved the Share Option Plan 2007-2016 for the executive directors and members of the senior management on 5 November 2007. This plan serves, among other things, to more closely align the interests of the aforementioned persons with the interests of the Company by letting them share in the future value creation and to enable the Company to offer a more competitive remuneration package and as such to be able to hire, compensate and maintain the right persons in these positions. Bearing in mind that the above objectives are in the best interest of the Company, the Board of Directors does not deem it necessary to submit this point to the General Meeting.
- Contrary to Stipulation 4.6. of the Code, the professional qualifications and duties of the directors to be re-appointed were not stipulated in the convening notices to the General Shareholders' Meeting of 18 May 2012, given that these qualifications are already published in several press releases and annual reports.



Other information

Research and development

Within the framework of the three strategic pillars, Kinopolis Group developed a number of new concepts for the operating entities to ensure optimal customer experience and a long-term profitability of the Group.

Conflict of interests policy

The Board of Directors took two decisions on 14 February 2012 pursuant to Article 523 of the Companies Code.

These decisions related to the following:

- The overall granting of the variable part of the remuneration in the amount of € 265 000 to BVBA Eddy Duquenne and € 215 000 to Mr. Joost Bert, bearing in mind the fulfilment in fiscal year 2011 of the quantitative and qualitative management targets, as well as the overall granting of an out-performance bonus of € 150 000 to BVBA Eddy Duquenne and € 75 000 to Mr. Joost Bert, bearing in mind that the quantitative management targets were substantially exceeded;
- The establishment of the management targets for fiscal year 2012.

The relevant excerpt from the minutes was included in the report of the Board of Directors on the unconsolidated financial statements.

Profit appropriation and dividend payment

In its proposal to the General Shareholders' Meeting concerning the appropriation of profit and payment of dividend the Board of Directors took various factors into consideration, including the Company's financial situation, operating profits, current and expected cash flows and expansion plans.

The payment of a gross amount of € 13.1 million for fiscal year 2012 to be divided among the shares entitled to dividend will be proposed, taking account of a payout ratio of 35% calculated on the current net profit. Subject to the approval of the General Meeting, the Board of Directors decided to make the dividend available to shareholders through a financial institution of their choice on 27 May 2013 (ex-date: 22 May 2013; record date: 24 May 2013) upon presentation of coupon No.°14.

Declaration with regard to the information contained in this annual report

Undersigned declare that, to the best of their knowledge:

- ★ The annual financial statements, prepared in accordance with the applicable standards for annual financial statements, provide a true and faithful picture of the equity, the financial situation and the results of Kinopolis and the companies included in the consolidation;
- ★ The management report provides a true and faithful picture of the development and the position of Kinopolis and the companies included in the consolidation, as well as a description of the primary risks and uncertainties they face.



Eddy Duquenne
CEO



Joost Bert
CEO







Financial report



Consolidated income statement

at 31 December

IN '000 €	NOTE	2011	2012
Revenue	3	253 704	254 505
Cost of sales		-174 065	-172 284
Gross profit		79 639	82 221
Distribution expenses		-14 925	-16 175
Administrative expenses		-14 849	-15 098
Other operating income and expenses	4	3 476	725
Operating profit		53 341	51 673
Finance income	7	1 701	1 530
Finance expenses	7	-4 870	-7 389
Profit before tax		50 172	45 814
Income tax expense	8	-13 701	-10 110
Profit for the period		36 471	35 704
Attributable to:			
Owners of the Company		36 194	35 704
Non-controlling interests		277	
Profit for the period		36 471	35 704
Basic earnings per share (€)	20	5.53	6.15
Diluted earnings per share (€)	20	5.44	5.98

Consolidated statement of comprehensive income

at 31 December

IN '000 €	NOTE	2011	2012
Profit for the period		36 471	35 704
Will be taken into result in the future if certain conditions are met:			
Translation differences		-1 390	831
Net changes in the fair value of derivative financial instruments		-109	695
Taxes on other comprehensive income			215
Other comprehensive income for the period, net of tax		-1 499	1 741
Total comprehensive income for the period		34 972	37 445
Attributable to:			
Owners of the Company		34 695	37 445
Non-controlling interests		277	
Total comprehensive income for the period		34 972	37 445

Consolidated statement of financial position

at 31 December

ASSETS

IN '000 €	NOTE	2011	2012
Other intangible assets	9	3 367	3 315
Goodwill	10	18 761	18 761
Property, plant and equipment	11	221 231	214 426
Investment property	12	12 837	11 449
Deferred tax assets	13	1 551	746
Other receivables	15	14 365	13 144
Other financial assets	17	27	27
Non-current assets		272 139	261 868
Assets classified as held for sale	18	6 721	8 673
Inventories	14	3 024	3 249
Trade and other receivables	15	27 375	23 298
Current tax assets		24	1 656
Cash and cash equivalents	16	17 670	28 827
Current assets		54 814	65 703
TOTAL ASSETS		326 953	327 571

EQUITY AND LIABILITIES

IN '000 €	NOTE	2011	2012
Issued capital	19	18 952	18 952
Share premium	19	1 154	1 154
Consolidated reserves		114 040	89 750
Translation reserve		-2 019	-1 188
Total equity attributable to owners of the Company		132 127	108 668
Non-controlling interests		1 815	
Equity		133 942	108 668
Loans and borrowings	22	38 502	81 709
Provisions	23	3 513	3 776
Deferred tax liabilities	13	14 319	17 415
Derivative financial instruments	25	856	144
Other payables	24	9 318	8 624
Non-current liabilities		66 508	111 668
Bank overdrafts	16	126	42
Loans and borrowings	22	55 894	37 689
Trade and other payables	24	63 331	64 325
Provisions	23	278	275
Derivative financial instruments	25	511	490
Current tax liabilities		6 363	4 414
Current liabilities		126 503	107 235
TOTAL EQUITY AND LIABILITIES		326 953	327 571



Consolidated statement of cash flows

at 31 December

IN '000 €	NOTE	2011	2012
Profit before tax		50 172	45 814
Adjustment for:			
Depreciation and amortization	6	19 954	19 971
Provisions and impairments		1 267	607
Government grants	4	-775	-753
(Gains) Losses on sale of fixed assets	4	-2 895	-6
Change in fair value of derivative financial instruments and unrealized foreign exchange results		-176	-223
Discount of non-current receivables	7, 23	-837	-764
Share-based payments	5	491	475
Write-down on tax shelter investments	7	733	553
Gain on a bargain purchase	4	-271	
Amortization transaction costs refinancing			174
Interest expense and income	7	2 616	4 962
Change in inventory		462	-224
Change in trade and other receivables		-1 273	5 295
Change in trade and other payables		4 502	-1 819
Cash from operating activities		73 970	74 062
Income taxes paid		-12 402	-9 575
Net cash from operating activities		61 568	64 487
Acquisition of other intangible assets	9	-898	-1 011
Acquisition of property, plant and equipment and investment property	11, 12	-12 110	-11 743
Acquisition subsidiary, net of acquired cash		1 192	
Proceeds from sale of property, plant and equipment		2 007	17
Net cash used in investing activities		-9 809	-12 737
Capital reduction		-28 693	-93
Acquisition of non-controlling interests	10		-4 740
New loans		79 072	214 419
Repayment of borrowings		-64 130	-188 461
Payment transaction costs refinancing			-1 130
Interest paid		-2 675	-2 133
Interest received		56	36
Repurchase of own shares		-21 645	-47 876
Dividends paid		-8 383	-10 562
Net cash used in financing activities		-46 398	-40 540
Net cash flow		5 361	11 210
Cash and cash equivalents at beginning of the period	16	12 239	17 544
Cash and cash equivalents at end of the period	16	17 544	28 785
Effect of exchange rate fluctuations on cash held		-56	31
Net cash flow		5 361	11 210

Consolidated statement of changes in equity

at 31 December

IN '000 €	2012							
	ATTRIBUTABLE TO OWNERS OF THE COMPANY						NON-CONTROLLING INTERESTS	TOTAL EQUITY
	ISSUED CAPITAL AND SHARE PREMIUM	TRANSLATION RESERVE	HEDGING RESERVE	TREASURY SHARES	SHARE-BASED PAYMENTS RESERVE	RETAINED EARNINGS		
At 31 December 2011	20 106	-2 019	-1 319	-9 489	2 018	122 830	1 815	133 942
Profit for the period						35 704		35 704
Will be taken into result in the future if certain conditions are met:								
Translation differences		831						831
Net changes in the fair value of derivative financial instruments			695					695
Taxes on other comprehensive income			215					215
Other comprehensive income for the period, net of tax		831	910					1 741
Total comprehensive income for the period		831	910			35 704		37 445
Dividends						-10 578		-10 578
Own shares acquired				-47 876				-47 876
Cancellation of treasury shares				48 489		-48 489		
Share-based payment transactions					475			475
Transactions with owners, recorded directly in equity				613	475	-59 067		-57 979
Acquisition of non-controlling interests without change in control						-2 925	-1 815	-4 740
AT 31 DECEMBER 2012	20 106	-1 188	-409	-8 876	2 493	96 542		108 668

IN '000 €	2011							
	ATTRIBUTABLE TO OWNERS OF THE COMPANY						NON-CONTROLLING INTERESTS	TOTAL EQUITY
	ISSUED CAPITAL AND SHARE PREMIUM	TRANSLATION RESERVE	HEDGING RESERVE	TREASURY SHARES	SHARE-BASED PAYMENTS RESERVE	RETAINED EARNINGS		
At 31 December 2010	50 117	-629	-1 210	-6 974	1 527	112 949	1 538	157 318
Profit for the period						36 194	277	36 471
Will be taken into result in the future if certain conditions are met:								
Translation differences		-1 390						-1 390
Net changes in the fair value of derivative financial instruments			-109					-109
Other comprehensive income for the period, net of tax		-1 390	-109					-1 499
Total comprehensive income for the period		-1 390	-109			36 194	277	34 972
Capital reduction	-30 011					1 200		-28 811
Dividends						-8 383		-8 383
Own shares acquired				-21 645				-21 465
Cancellation of treasury shares				19 130		-19 130		
Share-based payment transactions					491			491
Total transactions with owners, recorded directly in equity	-30 011			-2 515	491	-26 313		-58 348
AT 31 DECEMBER 2011	20 106	-2 019	-1 319	-9 489	2 018	122 830	1 815	133 942



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1. Significant accounting policies

Kinepolis Group NV (the 'Company') is a company established in Belgium. The consolidated financial statements of the Company for the year ending 31 December 2012 include the Company and its subsidiaries (together the 'Group') and the Group's interest in equity accounted investees. The consolidated financial statements were approved by the Board of Directors for publication on 28 March 2013, subject to change by the shareholders during the General Meeting of 17 May 2013.

Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Reporting Standards (IFRS), as published by the International Accounting Standards Board (IASB) and adopted by the European Union on 31 December 2012. The Company has not applied any European exceptions to IFRS, which means that the financial statements fully comply with the IFRS standards.

Basis of preparation

The consolidated financial statements are presented in euros, rounded to the nearest thousand. They were drawn up on a historical cost basis, with the exception of the following assets and liabilities which are recorded at fair value: derivative financial instruments and financial assets available for sale.

Non-current assets held for sale are valued, in accordance with IFRS 5, at the lower of carrying value and fair value less costs to sell. Hedged assets and liabilities included in the statement of financial position are valued at fair value in the amount of the hedged risk.

The accounting policies have been applied consistently across the Group and are consistent with those applied in the previous financial year, except as follows. The Group opted for the early adoption of the amendments to IAS 1.

The consolidated statement of comprehensive income was adjusted, based on the amendments to IAS 1 with regard to the presentation of other comprehensive income. The amendments require a distinction to be made between the other comprehensive income that will be recognized in the income statement in the future if certain conditions are met and the other comprehensive income that never will be recognized in the income statement.

The method for calculating future non-cancelable operating lease rentals whereby the Group act as lessee has been refined. The comparative figures for 2011 were reduced by € 3.9 million in total.

The preparation of the financial statements under IFRS requires management to make judgments, estimates and assumptions that

influence the application of the policies and the reported amounts of assets and liabilities, income and expenses.

The estimates and related assumptions are based on past experience and on various other factors that are considered reasonable in the given circumstances. The outcomes of these form the basis for the judgment as to the carrying value of assets and liabilities where this is not evident from other sources. Actual results can differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of estimates are recognized in the period in which the estimate is revised if the revision affects only this period, or in the revision period and future periods if the revision affects both the reporting period and future periods.

Estimates and assumptions are made, among other things, when:

- ★ determining the useful life of intangible assets and property, plant and equipment, with the exception of goodwill;
- ★ assessing the necessity of and estimating impairment losses on non-current assets;
- ★ determining impairments on inventories;
- ★ recording and calculating provisions;
- ★ assessing the degree to which losses carried forward will be used in the future.

The estimates and assumptions with a significant probability of causing a material adjustment to the value of the assets and liabilities during the next financial year are stated below.

Recoverability of deferred tax assets

Deferred tax assets for unused tax losses will only be recognized if future taxable profits will be available to be able to recover these losses (based on budgets and forecasts). The actual tax result may differ from the assumption made when the deferred tax was recorded.

Goodwill impairment tests

The recoverable value of the cash flow generating units is defined as the realizable value of these units or their net present value, whichever is greater. These calculations require the use of estimates and assumptions with regard, among other things, to discount rates, exchange rates, future investments and expected operating efficiency.

Provisions

The estimates and judgments that most impact the amount of the provisions are the estimated costs and the expected likelihood and timing of the cash outflows. They are based on the most recent available information at the balance sheet date.

Other assumptions and estimates will be discussed in the respective notes where they are used.



Basis of consolidation

Subsidiaries

Subsidiaries are those entities over which the Company exercises control. Control is understood as meaning that the Company can, directly or indirectly, determine an entity's financial and operating policy. In determining whether a situation of control exists, potential voting rights that can be exercised at the time are taken into account.

The financial statements of subsidiaries are recognized in the consolidated financial statements from the date that control commences until the date that control ceases.

Losses realized by subsidiaries with non-controlling interests are proportionally allocated to the non-controlling interests in these subsidiaries, even if this means that the non-controlling interests display a negative balance.

If the Group no longer has control over a subsidiary all assets and liabilities of the subsidiary, any non-controlling interests and other equity components with regard to the subsidiary are derecognized and the ensuing gains or losses are recognized in the income statement. Each result with regard to the loss of control will be included in the income statement. Any remaining interest in the former subsidiary will be recognized at fair value on the date of loss of control, after which it will be recognized as an associated company or as a financial asset available for sale, depending on the level of control retained.

Equity accounted investees

Equity accounted investees are entities over which the Group exercises significant influence, but not control, over the financial and operational policies. Significant influence is deemed to exist where the Group holds between 20 and 50 per cent of the voting rights of another entity. Participating interests in equity accounted investees are recorded using the equity method, except when classified as financial assets held for sale in accordance with IFRS 5 (Non-current assets held for sale and discontinued operations). The consolidated financial statements include the Group's share in the income and expenses of the participating interest, which is recorded following the equity method, from the starting to the ending date of this significant influence. Whenever the Group's share in the losses exceeds the carrying value of the investments in equity accounted investees, the carrying value is reduced to zero and future losses are no longer recognized, except to the extent that the Group has an obligation on behalf of the investee. When there are impairment indicators, the accounting policy concerning impairment losses is applied.

Transactions eliminated on consolidation

Intra-group balances and transactions, along with any unrealized gains and losses on transactions within the Group or gains or losses from such transactions, are eliminated in the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated proportionally to the Group's interest in the investee.

Unrealized losses are eliminated in the same way as unrealized gains, but only where there is no indication of impairment.

Foreign currency

Transactions in foreign currencies

Transactions in foreign currencies are translated to euro at the exchange rate on the transaction date. Monetary assets and liabilities expressed on the balance sheet date in foreign currencies are translated to euro at the exchange rate on the balance sheet date. Exchange rate differences occurring in the translation are immediately recognized in the income statement. Non-monetary assets and liabilities expressed in foreign currency are translated at the exchange rate on the transaction date. Non-monetary assets and liabilities in foreign currencies recognized at fair value are translated to euro at the exchange rates on the date on which the fair value was determined. If the settlement of monetary receivables from and payables to foreign entities is neither planned nor likely in the foreseeable future, exchange rate gains and losses on these monetary items are deemed to be part of the net investment in these foreign entities and recognized in the other comprehensive income under the translation differences.

Financial statements in foreign currencies

Assets and liabilities relating to foreign operations, including goodwill and fair value adjustments on acquisition, are translated to euro at the exchange rate on the balance sheet date. Income and costs of foreign entities are translated to euro at exchange rates approaching the exchange rates prevailing on the transaction dates.

The exchange rate differences arising from the translation are recognized immediately in equity.

Financial instruments

All financial instruments are recorded on the transaction date.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, trade and other payables.

Non-derivative financial instruments are initially recognized at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. After initial recognition, non-derivative financial instruments are valued as described below.

Cash and cash equivalents

Cash and cash equivalents comprise the cash and deposits withdrawable on demand with an original term of no more than three months, whereby the risk of changes in the fair value is negligible. Bank overdrafts that are repayable on demand, which are an integral part of the Group's cash management are viewed as part of cash and cash equivalents in the presentation of the cash flow table.

Financial assets available for sale – Investments in equity securities

Investments in equity securities consist of participating interests in enterprises in which the Group has no control or no significant influence.

These equity securities are classified as financial assets available for sale and recorded at fair value on initial recognition, except for equity securities not listed on an active market and for which the fair value cannot reliably be determined. Participating interests not eligible for valuation at fair value are recorded at historical cost. Profits and losses resulting from the change in fair value of a participating interest classified as a financial asset available for sale and which is not hedged are taken directly into equity. When the investment is sold, received or otherwise transferred, or when the carrying value of the investment is impaired, the accumulated profit or loss previously included in equity is transferred to the income statement.

The fair value of financial assets available for sale is their listed bid price on the balance sheet date.

Other non-derivative financial instruments

Other non-derivative financial instruments are measured at amortized cost using the effective interest rate method less any impairment losses.

Share capital

Ordinary shares are classified as equity. Additional costs which are directly attributable to the issue of ordinary shares and share options are deducted from equity, after deducting any tax effects.

Treasury shares: Where share capital classified as equity is reacquired by the Company, the amount paid, including directly attributed costs, is viewed as a change in equity. Purchase of treasury shares is recognized as a deduction from equity. The profit or loss pursuant to the sale or cancellation of treasury shares is directly recognized in equity.

Dividends are recognized as amounts payable in the period in which they are declared.

Derivative financial instruments

The Group uses derivative financial instruments to manage the exchange rate and interest risks deriving from operational, financial and investment activities. Under its treasury management policy the Group does not use derivative financial instruments for trading purposes. Derivative financial instruments that do not meet the requirements of hedge accounting are, however, accounted for in the same way as derivatives held for trading purposes.

Derivative financial instruments are initially valued at fair value. Attributable transaction costs are expensed in the income statement as incurred. Subsequent to initial recognition these instruments are measured at fair value. The accounting treatment of the resulting profits or losses depends on the nature of the derivative financial instrument.

The fair value of derivative financial instruments is the estimated amount that the Group will obtain or pay on the balance sheet date at the end of the contract in question, with reference to present interest and exchange rates and the creditworthiness of the counterparty.

Hedging

Cash flow hedges

Whenever derivative financial instruments serve to hedge the variability in cash flows of a liability or a highly probable future transaction, the effective portion of the changes in fair value of these derivatives is recorded directly in equity. When the future transaction results in the recording of a non-financial asset, the cumulative profits or losses are removed from equity and transferred to the carrying amount of the asset. In the other case the cumulative profits or losses are removed from equity and transferred to the income statement at the same time as the hedged transaction. The non-effective portion is included immediately in the income statement. Profits or losses deriving from changes in the time value of derivatives are not taken into consideration in determining the effectiveness of the hedging transaction and are recognized immediately in the income statement.

Whenever a hedging instrument or hedge relationship is ended, but the hedged transaction still has not taken place, the cumulative gains or losses remain in equity and will be recognized in accordance with the above policies once the transaction takes place.

When the covered transaction is no longer probable, the cumulative gains or losses included in equity are immediately taken into the income statement.

Fair value hedges

Hedge accounting is not applied to derivative instruments which are used for fair value hedging of foreign currency denominated monetary assets and liabilities. Changes in the fair value of such derivatives are recognized in the income statement as part of the foreign exchange gains and losses.

Property, plant and equipment

Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairments (see below). The cost of self-constructed assets includes the cost of the materials, direct personnel expenses and a proportionate share of the production overhead, any costs of dismantling and removal of the asset and the costs of restoring the location where the asset is located. Where parts of an item of property, plant and equipment have different useful lives, these are accounted for as separate property, plant and equipment items.

Gains and losses on the sale of property, plant and equipment are determined by comparing the sales proceeds with the carrying value of the assets and are recognized within other operating income in the income statement.

Leased assets

Leases that transfer to the Group nearly all the risks and rewards attached to the ownership of an asset are viewed as finance leases. Buildings and equipment acquired under finance leases



are recorded at the lower of the fair value or the present value of the minimum lease payments at the beginning of the lease agreement, less cumulative depreciation and impairments.

Subsequent expenditure

The cost price of replacing part of a property, plant and equipment is included in the carrying value of the asset whenever it is probable that the future economic benefits relating to the assets will flow to the Group and the cost price of the assets can be measured reliably. The cost of daily maintenance of property, plant and equipment is expensed in the income statement as and when incurred.

Depreciation

Depreciation is charged to the income statement using the straight-line method over the expected useful life of the asset, or of the separately recorded major components of an asset. It begins when the asset is ready for operation. The residual value, useful lives and depreciation methods are reviewed annually. Land is not depreciated.

The estimated useful lives are:

- Buildings: 30 years
- Fixtures: 5 – 15 years
- Computers: 3 years
- Plant, machinery and equipment: 5 – 10 years
- Furniture and vehicles: 3 – 10 years

Investment property

Investment property is property that is held in order to earn rental income or for capital appreciation or both, but is not intended for sale in the context of usual business operations, for use in the production or delivery of goods or for administrative purposes.

Investment property is measured at cost, less cumulative depreciation and impairments. The accounting policies given under 'Property, plant and equipment' apply.

Rental income from investment property is accounted for as described below in the accounting policy for the revenue.

Intangible assets

Goodwill

Up to and including 2009 goodwill was determined as the difference between the purchase price and the Group's share in the fair value of the acquired identifiable net assets.

The following accounting policy applies as from 2010. Goodwill from an acquisition is the positive difference between the fair value of the consideration transferred plus the carrying value of any non-controlling interest in the enterprise, or the share in the equity of the acquired enterprise if the acquisition occurs in phases, on the one hand, and the Group's share in the fair value

of the acquired identifiable assets and liabilities, on the other. If this difference is negative, it is immediately recognized in the income statement.

Costs incurred within the framework of an acquisition that are not connected to the issue of debts or shares are recognized in the income statement.

Any contingent consideration is recognized at fair value on the acquisition date. If the contingent consideration is classified as equity it must not be remeasured. The settlement is also part of equity. If the contingent consideration is part of the liabilities, the later adjustments to the fair value of the contingent consideration are recognized in the income statement.

Goodwill is valued at cost less impairment losses. In respect of equity accounted investees the carrying value of the investment in the enterprise also includes the carrying value of the goodwill. Goodwill is not amortized. Instead, it is subject to an annual impairment test.

Acquisition of non-controlling interests

The acquisition of non-controlling interests in a subsidiary does not lead to the recognition of goodwill, because this is deemed to be a share transaction and is recognized directly in equity. The non-controlling interests are adjusted on the basis of the proportional part in the equity of the subsidiary.

Other intangible assets

Other intangible assets acquired by the Group are valued at cost less accumulated amortization and impairment losses (see below). Costs of internally generated goodwill and brands are recognized in the income statement as incurred.

Internally developed software

Internally developed software is capitalized whenever the development costs can be reliably determined, the product or process is technically and commercially feasible, the future economic benefits are probable, and the Group intends and has sufficient resources to complete the development and to actively use or sell it. The cost of internally developed software includes all costs directly attributable to the asset.

Other development costs are expensed to the income statement as and when incurred.

Subsequent expenditure

Subsequent expenditure in respect of intangible assets is capitalized only when it increases the future economic benefits specific to the related asset. All other expenditure is expensed as incurred.

Amortization

Amortization is charged to the income statement by the straight-line method over the expected useful life of the intangible asset. Intangible assets are amortized from the date they are ready for use. Their estimated useful life is 3 to 10 years. The residual value, useful lives and depreciation methods are reviewed annually.

Inventories

Inventories are valued at the lower of cost or net realizable value. The net realizable value is equal to the estimated sale price, less the estimated costs of completion and selling expenses.

The cost price of inventories includes the costs incurred in acquiring the inventories and bringing them to their current location and condition. Inventories are measured using the FIFO method.

Impairment losses

The carrying values of the Group's assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Where there is an indication of impairment, the recoverable amount of the asset is estimated. In the case of goodwill and intangible assets with an undetermined useful life or which are not yet available for use, the recoverable amount is estimated at every balance sheet date. An impairment loss is recorded whenever the carrying value of an asset, or the cash flow generating unit to which the asset belongs, is higher than the recoverable amount. Impairment losses recorded in respect of cash flow generating units are first deducted from the carrying value of any goodwill assigned to cash flow generating units (or groups of units) and then proportionally from the carrying value of the assets of the unit (or group of units). Impairment losses are charged to the income statement. A cumulative loss on a financial asset available for sale previously recognized in equity is transferred to the income statement.

Calculation of the recoverable amount

Individually significant financial assets are tested individually for impairment. The remaining financial assets are divided into groups having similar credit risk features and are assessed collectively.

The recoverable amount of the Group's financial assets measured at amortized cost is calculated as the present value of expected future cash flows at the interest rate inherent to these assets. Current receivables are not discounted.

The recoverable value of other assets is the greater of the sales price less selling expenses and the value in use.

To assess the value in use, the expected future cash flows are discounted to their present value, using a weighted average cost of capital that reflects both the current market rate and the risks specific to that asset. Where an asset does not itself generate significant cash flows, the recoverable value is determined based on the cash flow generating unit to which the asset belongs.

Reversal of impairments

An impairment is reversed when the reversal can be objectively linked to an event occurring after the impairment was recorded. A previously recorded impairment is reversed where a change has occurred in the estimates used in determining the recoverable value, but not in a higher amount than the net carrying value that would have been determined if no impairment had been recorded in previous years.

Goodwill impairments are not reversed.

In the case of financial assets that are measured at amortized cost and financial assets available for sale in the form of bonds, the reversal is against the income statement. In the case of available-for sale financial assets that are equity securities, the reversal is taken directly to equity.

Assets classified as held for sale

Non-current assets (or groups of assets and liabilities being disposed of) that are expected to be recovered mainly via a sales transaction and not through the continuing use thereof are classified as held for sale. Directly prior to this classification the assets (or the components of a group of assets being disposed of) are remeasured in accordance with the Group's financial accounting policies. Hereafter the assets (or a group of assets to be disposed of) are measured on the basis of their carrying value or, if lower, fair value less costs to sell. Non-current assets are no longer depreciated as soon as they are classified as held for sale. Any impairment loss on a disposal group is allocated in the first place against goodwill and then, proportionally, against the remaining assets and liabilities, except that no impairments are allocated against inventories, financial assets, deferred tax assets, employee-benefit assets and investment property, which will continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification and gains and losses on subsequent measurement are recognized in the income statement. Impairment losses on initial classification and gains and losses on subsequent measurement are recognized in the income statement. Gains are not recognized in excess of any cumulative impairment loss.

Employee benefits

Short-term employee benefits

Short-term employment benefit obligations include wages, salaries and social security contributions, holiday pay, continued payment of wage in the event of illness, bonuses and remuneration in kind. These are expensed in the relevant period. Some of the Group's employees are eligible to a bonus, based on personal performance and financial targets. The bonus amount recognized in the income statement is based on an estimation at the balance sheet date.

Post employment benefits

Post employment benefits include the pension plans. The Group provides post-retirement remuneration for some of its employees in the form of defined contribution pension plans.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the income statement in the periods during which related services are rendered by employees.



Share based payments and related benefits

The stock option plan enables Group employees to acquire shares of the Company. The option exercise price is equal to the average of the closing price of the underlying shares over the thirty days prior to the date of offer and no compensation cost or liability is recorded.

Share transactions with employees are charged to the income statement over the vesting period based on the fair value on the date of offering with a corresponding increase in equity. The fair value is determined using an option price definition model.

To hedge its liabilities within the framework of the allocation of stock options to its directors and executives, the Group purchases its own shares at the specific time those options are allocated. This can occur by means of several purchases. These shares will be charged to equity on transaction date for the sum paid, including the related costs. When the options are exercised the shares are derecognized at the average price of the total package of shares purchased that were allocated to the options in question. The difference between the options exercise price and the average price of the shares in question is recognized directly in equity.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate the employment of an employee or a group of employees before the normal retirement date. This is also the case if the Group offers termination benefits and thus encourages (a group of) employees to voluntarily leave its employment.

Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If benefits are payable more than twelve months after the reporting date, then they are discounted to their present value.

Provisions

A provision is recorded in the statement of financial position whenever the Group has an existing (legal or constructive) obligation as a result of a past event and where it is probable that the settlement of this obligation will result in an outflow of resources containing economic benefits. Where the effect is material, provisions are measured by discounting the expected future cash flows at a pre-tax discount rate that reflects both the current market assessment of the time value of money and, where applicable, the risks inherent to the obligation.

Restructuring

A provision for restructuring is set up whenever the Group has approved a detailed, formal restructuring plan and the restructuring has either been commenced or publicly announced before the balance sheet date. No provisions are recognized for future operating costs.

Site restoration

In accordance with the Group's contractual obligations a provision for site restoration is set up whenever the Group is obliged to restore land to its original condition.

Onerous contracts

A provision for onerous contracts is set up whenever the economic benefits expected from a contract are lower than the unavoidable costs of meeting the contract obligations.

Revenue

Sales of goods and services

On the sale of goods the income is recognized in the income statement upon transfer to the purchaser of the essential risks and rewards. Where services are provided the income is recognized in the income statement upon delivery of this service. Income is not recorded where significant uncertainty exists as to the collection of the receivable, related costs and the possible return of the goods.

Rental income

Rental income is recognized in the income statement on a straight-line basis over the rental period. Lease incentives granted are regarded as an integral part of rental income.

Government grants

Government grants are initially regarded as accrued income in the statement of financial position whenever reasonable certainty exists that they will be received and that the Group will fulfill the associated conditions. Grants that compensate incurred costs are systematically taken into profit in the same period as the costs are incurred. Grants that compensate costs incurred in respect of assets are systematically taken into income over the useful life of the assets.

Expenses

Payments relating to operating lease agreements

Payments relating to operating lease agreements are taken into the income statement on a straight-line basis over the lease period.

Payments relating to finance lease agreements

The minimum lease payments are recorded partly as finance expenses and partly as repayment of the outstanding liability. Finance expenses are allocated to each period of the total lease period in such a way as to give a constant periodical interest rate over the remaining balance of the liability.

Finance income and expenses

Finance income and expenses consist of interest payable on loans and borrowings, interest income on funds invested, dividends, foreign exchange gains and losses and changes in fair value on hedging instruments recognized in the income statement. Exchange rate gains and losses are compensated per currency.

Rental income is taken into result pro rata temporis. Dividend income is included in the income statement on the date that the dividend is declared.

The rent component of payments on finance leases is taken into result.

Finance expenses directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of that asset.

Income taxes

Income tax expenses consist of current and deferred tax. Taxes are recorded in the income statement except where they relate to elements recorded directly in equity. In this case the taxes are recognized directly in equity.

Current income taxes consist of the expected tax payable on the taxable profit of the year, calculated according to the tax rates in effect at the balance sheet date, as well as tax adjustments in respect of prior years.

The current tax receivables and liabilities are netted per tax jurisdiction.

Deferred taxes are recorded based on the balance sheet method, for all temporary differences between the taxable base and the carrying value for financial reporting purposes, for both assets and liabilities. No deferred taxes are recorded for the following temporary differences: initial recording of goodwill, initial recording of assets and liabilities in a transaction that is not a business combination and that do not affect the accounting or taxable profits and differences relating to investments in subsidiaries to the extent that an offsetting entry is unlikely in the near future. The amount of the deferred tax is based on expectations as to the realization of the carrying value of the assets and liabilities, using the tax rates in effect or those of which the enactment has been substantively completed at the balance sheet date.

A deferred tax asset is recorded in the statement of financial position only when it is probable that adequate future taxable profits are available against which temporary differences can be utilized. Deferred tax assets are reduced whenever it is no longer probable that the related tax benefit will be realized.

Additional income tax resulting from the declaring of dividends is recorded simultaneously with the liability to pay the dividend in question.

Segment reporting

An operating segment is a clearly distinguishable component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses in relation to transactions with any of the Group's other components. The Group is organized geographically. The different countries constitute operating segments, in accordance with the internal reporting to the CEOs of the Group.

Discontinued operations

Classification as discontinued operations occurs upon the disposal of or, if earlier, when the business activity fulfills the criteria for classification as held for sale. Subsequently non-current assets and disposal groups, when first recorded as held for sale, are measured at the lower of carrying value and fair value less cost to sell. Whenever an activity is classified as a discontinued operation, the comparative income statement figures are restated as if the activity had been discontinued from the start of the comparative period.

Capital management

Board policy is aimed at maintaining a strong capital position in order to retain the confidence of investors, lenders and markets and to safeguard the future development of the business activities. The Board of Directors monitors the return on equity, which is defined by the Group as the operating result divided by equity, excluding non-controlling interests. The Board of Directors also monitors the level of the dividend payable to the shareholders.

The Board seeks a balance between the higher return that is potentially available with a higher level of borrowing, and the benefits and security of a solid equity position. In seeking this balance, the Board of Directors' objective is to achieve the pre-defined level of the net financial debt to EBITDA and net financial debt to equity ratios.

Up to 2009 shares were bought back by means of a share buy-back program through a financial institution operating under a discretionary mandate. These shares are intended for coverage of the Group's current share option scheme. Buy and sell decisions are taken on an individual basis by the Board of Directors.

The Board of Directors believed that the ratios of net financial debt to equity and net financial debt to EBITDA were at risk of dropping below the pre-defined level from mid 2010 and therefore proposed to the General Meeting the reduction of issued capital and the purchase of shares of the Company to improve the ratios and thus create shareholder value. After approval by the Extraordinary General Meeting of 20 May 2011, the capital was reduced by € 30.0 million and 395 502 shares were bought back in 2011: 34 654 to cover new options and the remainder for cancellation. 349 423 shares were already cancelled in 2011. In 2012 in accordance with the authorization of the Board of Directors by the Extraordinary General Meeting of 20 May 2011, an additional 713 422 shares were purchased and 724 847 shares cancelled. On 19 October 2012 the Extraordinary General Meeting approved another authorization to purchase up to 1 171 301 shares for cancellation. This authorization is valid for a term of five years and can be renewed.



New standards and interpretations not yet adopted

A number of new standards, amendments and interpretations were not yet effective in 2012 and have therefore not been applied to the present consolidated financial statements. The following standards are relevant for the Group.

- ★ IFRS 9 Financial Instruments is the first standard issued as part of a wider project to replace IAS 39 Financial Instruments. The new standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the characteristics of the contractual cash flows of the financial asset. The requirements with regard to the classification and measurement of financial liabilities will also be adjusted. IFRS 9 must be applied retroactively to the consolidated financial statements of the Group for 2015. The consequences of this standard for the Group are currently being assessed.
- ★ IFRS 10 Consolidated Financial Statements introduces a new approach to determine which entities must be included in the consolidated financial statements with a broader definition of control. Control requires exposure to the variability of the returns and the power to influence these returns. IFRS 10 will apply retroactively to the consolidated financial statements of the Group for 2014 and will have no consequences for the Group.
- ★ IFRS 12 Disclosure of Interests in Other Entities contains publication requirements for entities that have interests in subsidiaries, joint arrangements, associates and non-consolidated structured entities. IFRS 12 must be applied retroactively to the consolidated financial statements for 2014. These amendments are expected to have no significant influence on the consolidated financial statements of the Group.
- ★ IFRS 13 Fair Value Measurement defines the concept of fair value and provides a single framework for measuring fair value in one single IFRS. This standard also determines the required disclosures with regard to the measurement of fair value. This standard will be applied to the consolidated financial statements of 2013. The consequences of this standard for the Group will only relate to the disclosure requirements.
- ★ IAS 28 concerns accounting and disclosure requirements with regard to investments in subsidiaries, joint ventures and associates. This standard is effective prospectively as of 1 January 2014. The consequences for the Group are currently being assessed.

2. Segment reporting

Segment information is given for the Group's geographic segments. The geographic segments reflect the countries in which the Group operates. Prices for inter-segment transactions are determined at arm's length.

Segment results, assets and liabilities of a particular segment include those items that can be attributed, either directly or reasonably, to that segment.

Financial income and cost, income tax expense and their related assets and liabilities are not monitored by segment by the Group's CEOs and CFO.

The investments of a segment are all costs incurred during the reporting period to acquire assets that are expected to remain in use in the segment for longer than one reporting period.

Geographic segments

The Group's activities are managed and followed up on a country basis. The main geographic markets are Belgium, France and Spain. The Polish and Swiss activities are combined in the 'other' geographic segment, in accordance with the internal reporting to the Group's CEOs and CFO.

In presenting information on the basis of geographic segments, revenue from the segment is based on the geographic location of the customers. The basis used for the assets of the segments is the geographic location of the assets.



Segment reporting

at 31 December 2012

INCOME STATEMENT

IN '000 €	2012					
	BELGIUM	FRANCE	SPAIN	OTHER (POLAND AND SWITZERLAND)	NOT ALLOCATED	TOTAL
Segment revenue	171 296	62 320	37 646	4 733		275 995
Inter-segment revenue	-21 490					-21 490
Revenue	149 806	62 320	37 646	4 733		254 505
Cost of sales	-99 333	-42 602	-27 353	-2 996		-172 284
Gross profit	50 473	19 718	10 293	1 737		82 221
Distribution expenses	-12 262	-2 164	-1 569	-180		-16 175
Administrative expenses	-12 301	-1 684	-809	-304		-15 098
Other operating income and expenses	-55	753	28	-1		725
Segment profit	25 855	16 623	7 943	1 252		51 673
Finance income					1 530	1 530
Finance expenses					-7 389	-7 389
Profit before tax						45 814
Income tax expense					-10 110	-10 110
PROFIT FOR THE PERIOD						35 704

STATEMENT OF FINANCIAL POSITION – ASSETS

IN '000 €	2012					
	BELGIUM	FRANCE	SPAIN	OTHER (POLAND AND SWITZERLAND)	NOT ALLOCATED	TOTAL
Other intangible assets	2 725	365	225			3 315
Goodwill	7 282	2 603	2 374	6 502		18 761
Property, plant and equipment	94 782	66 116	46 925	6 603		214 426
Investment property				11 449		11 449
Deferred tax assets					746	746
Other receivables	159	12 808	177			13 144
Other financial assets					27	27
Non-current assets	104 948	81 892	49 701	24 554	773	261 868
Assets classified as held for sale					8 673	8 673
Inventories	1 664	1 060	417	108		3 249
Trade and other receivables	16 663	4 435	1 152	155	893	23 298
Current tax assets					1 656	1 656
Cash and cash equivalents					28 827	28 827
Current assets	18 327	5 495	1 569	263	40 049	65 703
TOTAL ASSETS	123 275	87 387	51 270	24 817	40 822	327 571

STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

IN '000 €	2012					
	BELGIUM	FRANCE	SPAIN	OTHER (POLAND AND SWITZERLAND)	NOT ALLOCATED	TOTAL
Issued capital and share premium					20 106	20 106
Consolidated reserves					89 750	89 750
Translation reserve					-1 188	-1 188
Total equity attributable to owners of the Company					108 668	108 668
Non-controlling interests						
Equity					108 668	108 668
Loans and borrowings					81 709	81 709
Provisions	3 443	333				3 776
Deferred tax liabilities					17 415	17 415
Derivative financial instruments					144	144
Other payables		8 624				8 624
Non-current liabilities	3 443	8 957			99 268	111 668
Bank overdrafts					42	42
Loans and borrowings					37 689	37 689
Trade and other payables	39 936	14 922	5 196	688	3 583	64 325
Provisions		275				275
Derivative financial instruments					490	490
Current tax liabilities					4 414	4 414
Current liabilities	39 936	15 197	5 196	688	46 218	107 235
TOTAL EQUITY AND LIABILITIES	43 379	24 154	5 196	688	254 154	327 571

INVESTMENTS

IN '000 €	2012					
	BELGIUM	FRANCE	SPAIN	OTHER (POLAND AND SWITZERLAND)	NOT ALLOCATED	TOTAL
Investments	7 802	2 296	2 471	185		12 754

NON-CASH ELEMENTS

IN '000 €	2012					
	BELGIUM	FRANCE	SPAIN	OTHER (POLAND AND SWITZERLAND)	NOT ALLOCATED	TOTAL
Depreciation, amortization, provisions and impairments	12 196	5 462	2 452	468		20 578
Other	413	53	9			475
TOTAL	12 609	5 515	2 461	468		21 053



Segment reporting

at 31 December 2011

INCOME STATEMENT

IN '000 €	2011					
	BELGIUM	FRANCE	SPAIN	OTHER (POLAND AND SWITZERLAND)	NOT ALLOCATED	TOTAL
Segment revenue	151 177	65 651	40 635	4 749		262 212
Inter-segment revenue	-8 508					-8 508
Revenue	142 669	65 651	40 635	4 749		253 704
Cost of sales	-95 535	-45 242	-30 235	-3 053		-174 065
Gross profit	47 134	20 409	10 400	1 696		79 639
Distribution expenses	-11 817	-1 645	-1 282	-181		-14 925
Administrative expenses	-12 123	-1 512	-901	-313		-14 849
Other operating income and expenses	2 610	775	91			3 476
Segment profit	25 804	18 027	8 308	1 202		53 341
Finance income					1 701	1 701
Finance expenses					-4 870	-4 870
Profit before tax						50 172
Income tax expense					-13 701	-13 701
PROFIT FOR THE PERIOD						36 471

STATEMENT OF FINANCIAL POSITION – ASSETS

IN '000 €	2011					
	BELGIUM	FRANCE	SPAIN	OTHER (POLAND AND SWITZERLAND)	NOT ALLOCATED	TOTAL
Other intangible assets	2 770	367	230			3 367
Goodwill	7 281	2 604	2 374	6 502		18 761
Property, plant and equipment	98 790	69 230	46 712	6 499		221 231
Investment property				12 837		12 837
Deferred tax assets					1 551	1 551
Other receivables	155	14 022	188			14 365
Other financial assets					27	27
Non-current assets	108 996	86 223	49 504	25 838	1 578	272 139
Assets classified as held for sale					6 721	6 721
Inventories	1 362	1 283	266	113		3 024
Trade and other receivables	17 304	5 535	1 065	1 296	2 175	27 375
Current tax assets					24	24
Cash and cash equivalents					17 670	17 670
Current assets	18 666	6 818	1 331	1 409	26 590	54 814
TOTAL ASSETS	127 662	93 041	50 835	27 247	28 168	326 953

STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

IN '000 €						2011
	BELGIUM	FRANCE	SPAIN	OTHER (POLAND AND SWITZERLAND)	NOT ALLOCATED	TOTAL
Issued capital and share premium					20 106	20 106
Consolidated reserves					114 040	114 040
Translation reserve					-2 019	-2 019
Total equity attributable to owners of the Company					132 127	132 127
Non-controlling interests					1 815	1 815
Equity					133 942	133 942
Loans and borrowings					38 502	38 502
Provisions	3 106	407				3 513
Deferred tax liabilities					14 319	14 319
Derivative financial instruments					856	856
Other payables		9 318				9 318
Non-current liabilities	3 106	9 725			53 677	66 508
Bank overdrafts					126	126
Loans and borrowings					55 894	55 894
Trade and other payables	36 969	15 740	4 979	555	5 088	63 331
Provisions		278				278
Derivative financial instruments					511	511
Current tax liabilities					6 363	6 363
Current liabilities	36 969	16 018	4 979	555	67 982	126 503
TOTAL EQUITY AND LIABILITIES	40 075	25 743	4 979	555	255 601	326 953

INVESTMENTS

IN '000 €						2011
	BELGIUM	FRANCE	SPAIN	OTHER (POLAND AND SWITZERLAND)	NOT ALLOCATED	TOTAL
Investments	7 957	1 961	3 016	74		13 008

NON-CASH ELEMENTS

IN '000 €						2011
	BELGIUM	FRANCE	SPAIN	OTHER (POLAND AND SWITZERLAND)	NOT ALLOCATED	TOTAL
Depreciation, amortization, provisions and impairments	12 460	5 806	2 478	477		21 221
Other	403	74	14			491
TOTAL	12 863	5 880	2 492	477		21 712



3. Revenue

The table below shows the breakdown of revenue by activity, product or service offered by the Group:

IN '000 €	2011	2012
Box Office	149 134	139 891
In-theatre sales	53 071	52 975
Business-to-Business	40 184	49 705
Film distribution	2 275	3 016
Real estate	8 687	8 830
Technical department	353	88
TOTAL	253 704	254 505

The fall in Box Office revenue is due to the lower visitor number in 2012.

Business-to-Business revenue includes exchange deals for € 10.0 million (2011: € 8.9 million).

Business-to-Business revenue rose as a consequence of the acquisition of Brightfish NV as from the fourth quarter 2011.

4. Other operating income/(expenses)

IN '000 €	2011	2012
Government grants	775	753
Capital gain on disposal of property, plant and equipment	2 943	6
Gain from bargain purchase Brightfish NV	271	
Losses on sale of property, plant and equipment	-95	
Other	-418	-34
TOTAL	3 476	725

Government grants

The Group receives government grants in France from the Centre national du cinéma et de l'image animée (CNC) for cinema related investments. These grants come from a fund financed by contributions from cinema operators in the form of a percentage of ticket sales. The grants are recorded as liabilities and taken into income over the useful life of the assets in question.

Capital gain on disposal of property, plant and equipment

The Group made a capital gain of € 2.9 million in 2011 in connection with the second and third phase of a residential new-build project in Ghent.

Loss on sale of property, plant and equipment

In September 2011 the Group sold the former 'Opéra' cinema in Liège (closed in 2004) to ULG (Liège university). A loss of € 0.1 million was incurred on this sale.

Other

A € 0.5 million Group transformation provision was set up in 2011. In 2012 this provision was used by the Group and a € 0.5 million provision for the ending of leases was established.

5. Personnel expenses

IN '000 €	2011	2012
Wages & salaries	-28 562	-30 047
Social security contributions	-8 256	-8 628
Pension plan contributions (defined contribution)	-310	-338
Share-based payments	-491	-475
Other personnel expenses	-2 068	-2 298
TOTAL	-39 687	-41 786
Total full-time equivalents at balance sheet date	928	890

The rise in personnel expenses in 2012, despite the lower number of full time equivalents at 31 December 2012 is due to a number of non-current costs, the fact that Brightfish NV was included in the

consolidation for a full year for the first time (only the fourth quarter in 2011) and the indexation of wages and salaries in 2012.

6. Additional information on operating expenses by nature

Personnel expenses are charged to profit or loss in the following lines of the income statement:

IN '000 €	2011	2012
Cost of sales	-29 731	-30 466
Distribution expenses	-3 202	-4 067
Administrative expenses	-6 754	-7 253
TOTAL	-39 687	-41 786

Depreciation and amortization are charged to profit or loss in the following lines of the income statement:

IN '000 €	2011	2012
Cost of sales	-18 811	-18 718
Distribution expenses	-249	-325
Administrative expenses	-894	-882
Other operating income and expenses		-46
TOTAL	-19 954	-19 971

7. Finance income and expenses

Finance income

IN '000 €	2011	2012
Interest income	199	233
Foreign exchange gains	404	327
Recognition of fair value of derivative financial instruments ended in the past	39	39
Discount of long-term government grants receivable	877	801
Other	182	130
TOTAL	1 701	1 530

Finance expenses

IN '000 €	2011	2012
Interest charges	-2 688	-5 205
Foreign exchange losses	-50	-173
Impairments tax shelter investments	-733	-553
Other	-1 399	-1 458
TOTAL	-4 870	-7 389

The increase in interest charges in 2012 is the result of the higher debt of the Group after the capital optimization in 2011 and 2012 for € 99.5 million in total. The Group also pays more interest on the public bond issued for € 75.0 million in 2012 within the framework of its refinancing (see note 25).

The total costs with regard to the refinancing of the Group in 2012 were € 1.1 million. These are recognized in the income statement pro rata temporis, for € 0.2 million in 2012, and are included in the interest charges.

The fair value of the interest rate swaps transferred from equity to the income statement (interest charges) was € -0.9 million (2011: € -0.9 million).

The other financial costs mainly included banking costs. These also include commitment fees with regard to the new credit agreement the Group concluded in 2012 (see note 25) for € 0.2 million.



8. Income tax expense

IN '000 €	2011	2012
Current tax expense	-13 301	-5 994
Deferred tax expense	-400	-4 116
TOTAL	-13 701	-10 110

Effective tax rate reconciliation

IN '000 €	2011	2012
Profit before tax	50 172	45 814
Belgian tax rate	33.99%	33.99%
Income tax using the Company's domestic tax rate	-17 053	-15 572
Effect of tax rates in foreign jurisdictions	466	234
Non-deductible expenses	-785	-799
Tax-exempt income	2 508	2 196
Use of unrecognized losses and tax losses for which no deferred receivable was established	1 627	4 336
Under/(over) provided in prior periods	-322	242
Other adjustments	-142	-747
TOTAL	-13 701	-10 110
Effective tax rate	27.31%	22.07%

The effective tax rate was 22.07% in 2012 (2011: 27.31%). The fall in income tax expense is due to the lower profit before tax and the use of tax losses carried forward, partly set off by extra taxes on intra-group dividends.

The notional interest deduction and the tax treatment of tax shelters, both included in 'Tax-exempt income', had a positive impact on the tax burden in both 2011 and 2012.

The 'Other adjustments' in 2012 primarily relate to income tax with regard to current and future intra-group dividend payments.

Deferred income tax recognized directly to equity

Deferred tax profit of € 0.2 million was directly recognized in equity (2011: € 0.0 million).

9. Other intangible assets

IN '000 €	PATENTS AND LICENSES	OTHER	INTERNALLY DEVELOPED INTANGIBLE ASSETS	TOTAL
Acquisition value	1 725	4 148	1 802	7 675
Amortization and impairment losses	-951	-2 395	-943	-4 289
NET CARRYING VALUE AT 31/12/2010	774	1 753	859	3 386
Acquisitions	19	590	289	898
Acquisitions through business combinations	89			89
Transfer from / to other categories	-2	2		
Amortization	-137	-505	-364	-1 006
Acquisition value	1 773	4 773	2 091	8 637
Amortization and impairment losses	-1 030	-2 933	-1 307	-5 270
NET CARRYING VALUE AT 31/12/2011	743	1 840	784	3 367
Acquisitions	17	708	286	1 011
Transfer from / to other categories	-38	60		22
Amortization	-155	-684	-246	-1 085
Acquisition value	1 721	5 564	1 979	9 264
Amortization and impairment losses	-1 154	-3 640	-1 155	-5 949
NET CARRYING VALUE AT 31/12/2012	567	1 924	824	3 315

The other intangible assets are primarily software and the development of a direct marketing and pricing methodology. The inter-

nally developed intangible assets comprise the in-house ticketing software system.

10. Goodwill and business combinations

GOODWILL

IN '000 €	2011	2012
BALANCE AT END OF PREVIOUS PERIOD	18 761	18 761
Acquisitions through business combinations		
Impairment losses		
Disposals		
BALANCE AT END OF CURRENT PERIOD	18 761	18 761

At the end of 2012, as every year in this period, a review was performed to identify any impairment indications. During this review the Group considered, among other things, the economic situation, the evolution of visitor figures, EBITDA and the components that make up the weighted average cost of capital determined by the Group, especially the risk-free interest rate, the market risk premium and the cost of debt. Indicators were established for Spain. The performed impairment tests did not give rise to an impairment.

An annual impairment test must be performed for cash generating units to which goodwill is allocated, regardless of whether there are any indications of impairment. No impairments were established on the basis of the performed impairment tests.

The impairment test was, as always, performed at country level, the operational segments of the Group. The CEOs, CFO and Country Managers direct the Group primarily at country level. The cash flows of the Group are generated per country:

- Programming of films and negotiations with distributors occur at country level.
- A large percentage of tickets are sold through the websites, which are organized at country level.
- The pricing of tickets, refreshments and snacks is set at country level.
- Marketing contributions by distributors are negotiated on a country by country basis.
- Screen advertising is managed on a country by country basis.
- Vouchers are sold through the business-to-business sales teams. Customers use their vouchers through the central back office systems at country level.
- The business-to-business events are organized at multiplex and at country level.

In the impairment test the value in use was taken into consideration. For all cash flow generating units the value in use was defined by discounting the future cash flows calculated over the period 2013-2032, based on the budget for 2013. The future cash flows are calculated over a period of 20 years, since the Group owns nearly all of its property, which guarantees exploitation in the long run. For the period 2014-2032 the data of the 2013 budget for all cash flow generating units were extrapolated on the basis of the following assumptions:

- The visitor figures were determined based on historically low numbers.
- EBITDA grows by 1% annually, presuming that the Group is able to take further measures to increase the margin.
- The maintenance investments are based on the historical run rate per activity and increase by 1% every year as from 2014.

The projections are performed in the functional currency of the relevant country and discounted at the weighted average cost of the country's capital. The proposed weighted average cost of capital is 6.75% for Belgium, France and Spain and 6.84% for Poland (2011: same for Belgium, France and Spain, 7.90% for Poland), determined on the basis of the following theoretical parameters:

- For Belgium, France and Spain: a risk-free interest rate of 6%, a market risk premium of 5.25%, a Beta of 1.05 and a proposed cost of debt before tax of 6.72%.
- For Poland: a risk-free interest rate of 6%, a market risk premium of 5.25%, a Beta of 1.05 and a proposed cost of debt before tax of 7.00%.

These percentages are tested annually against the weighted average cost of capital based on the parameters used by the analysts that monitor the share of the Group, taking into account the specific circumstances in each country. There was a significant margin each time. The weighted average cost of capital before tax is 8.16% for Belgium, France and Spain and 7.90% for Poland (same as 2011).

The weighted average cost of capital before tax is determined by dividing the rate after tax by the sum of one minus the applicable tax rate. This simplified calculation method does not differ materially from the iterative calculation method as described in BCZ 85, IAS 36.

Management believes that the assumptions used in the impairment tests provide the best estimates of the future developments and believes that no reasonably possible change in any of the principle assumptions would lead to a carrying value of the cash flow generating units that would materially exceed their realizable value. Sensitivity analyses were performed with regard to the various parameters. An example is given below.

The cost of debt before tax included in the weighted average cost of capital before tax is more than 2% higher than the current cost of debt. A further possible increase from 6.72% to 8% in the cost of debt before tax results in a 0.62% increase in the weighted average cost of capital. This possible change would not lead to the need to recognize an impairment.



Goodwill per cash flow generating unit

IN '000 €	2011	2012
Belgium	6 586	6 586
France	3 299	3 299
Spain	2 374	2 374
Polen	6 502	6 502
TOTAL	18 761	18 761

ACQUISITION OF NON-CONTROLLING INTERESTS

In September 2012 the Group acquired an additional interest in Forum Kinopolis Nîmes of 22.08%, effective retroactively from 1 January 2012. The Group now holds 100% of the shares in this company (79.92% in 2011).

As a result of this transaction, the non-controlling interests fell by € 1.8 million. Total equity attributable to owners of the Company fell by € 2.9 million.

The following table summarizes the consequences of the change in the Group's interest in Forum Kinopolis Nîmes:

IN '000 €	2012
INTEREST OF THE GROUP AT 31/12/2011	2 930
Impact of the increase in the participation interest	-2 925
Share in the result	427
INTEREST OF THE GROUP AT 31/12/2012	432

BUSINESS COMBINATIONS

The Group acquired 100% of the shares of advertising agency Brightfish NV on 19 December 2011.

Brightfish NV, formerly Screenvision Belgium NV, commercializes the screen advertising for 436 cinema screens on Belgian market. Besides the sale of national and local screen advertising, Brightfish NV is also engaged in production, billing, field activation and event organization. It is also responsible for joint campaigns within the cinema industry, such as the Film Days and cinevox.be, the content platform to promote Belgian film.

The acquisition of Brightfish NV extended the Group's activities in Belgium. In addition to cinema operation, in-theatre sales, business-to-business, real estate and film distribution, the Group is now also active in screen advertising.

Brightfish NV was acquired for the symbolic amount of one euro. By the contribution in kind of part of its receivable of € 1.8 million, the

Group increased the capital of Brightfish NV and solved the company's problem of negative equity. Including this transaction, the addition of Brightfish NV into the consolidation scope as from 1 October 2011, the date on which control was gained, resulted in a gain on bargain purchase of € 0.3 million, which was recognized in the income statement (other operating income).

During the last three months of 2011, Brightfish NV contributed € 3.7 million to revenue and € 0.7 million to the result of the Group. This quarterly result was not representative for the full year. Due to the strong seasonality of the activities of Brightfish NV, its result is mainly generated in the fourth quarter. If Brightfish NV had been acquired on 1 January 2011, management estimated that the consolidated income would have been € 260.4 million and the consolidated result of the year would have amounted to € 36.7 million. When determining these amounts management assumes that the adjustments to the fair values on the acquisition date would have been the same if the acquisition had occurred on 1 January 2011.

Net identifiable assets and liabilities

IN '000 €	1/10/2011
	Brightfish NV
Intangible assets	89
Property, plant and equipment	244
Non-current trade and other receivables	136
Current trade and other receivables	4 629
Cash and cash equivalents	1 192
Provisions	-450
Current trade and other payables	-5 568
TOTAL	272

11. Property, plant and equipment

IN '000 €	LAND AND BUILDINGS	PLANT, MACHINERY & EQUIPMENT	ASSETS UNDER CONSTRUCTION	TOTAL
Acquisition value	321 790	157 502	371	479 663
Depreciation and impairment losses	-136 383	-115 834		-252 217
NET CARRYING VALUE AT 31/12/2010	185 407	41 668	371	227 446
Acquisitions	2 806	9 121	180	12 107
Sales and disposals	-43	-25	-55	-123
Acquisitions through business combinations	99	146		245
Transfer from / to other categories	159	97	-256	
Depreciation	-9 176	-9 424	-1	-18 601
Effect of exchange rate fluctuations	154	5	-2	157
Acquisition value	324 428	166 734	238	491 400
Depreciation and impairment losses	-145 022	-125 146	-1	-270 169
NET CARRYING VALUE AT 31/12/2011	179 406	41 588	237	221 231
Acquisitions	3 287	7 921	535	11 743
Sales and disposals		-11		-11
Transfer from / to other categories	-201	21	158	-22
Depreciation	-9 262	-9 236	-64	-18 562
Effect of exchange rate fluctuations	43	3	1	47
Acquisition value	327 211	174 440	910	502 561
Depreciation and impairment losses	-153 938	-134 154	-43	-288 135
NET CARRYING VALUE AT 31/12/2012	173 273	40 286	867	214 426

Acquisitions

The acquisitions under Plant, Machinery & Equipment consist primarily of the maintenance investments, the remodeling of a number of complexes and digital projectors

Leased plant, machinery and equipment

In 2012 new digital projectors were leased for € 1.4 million (2011: € 2.1 million). In 2010 the Group's existing digital projectors were sold to a third party at net carrying value and leased back for a period of six years. A number of new digital projectors were also leased

for a total value of € 10.1 million. The carrying value of these leased projectors and equipment was € 9.6 million at 31 December 2012 (2011: € 10.2 million). During the term of the lease, the leased assets can be bought back at their present value under the contract, plus a fine. At the end of the contract the assets can be acquired at 1% of their original value under the contract.

Write-off of projectors

In 2012 the old digital projectors were written off for € 0.2 million. This write-off is part of the cost of sales.



12. Investment property

IN '000 €	LAND AND BUILDINGS	PLANT, MACHINERY & EQUIPMENT	ASSETS UNDER CONSTRUCTION	TOTAL
Acquisition value	18 305	534		18 839
Depreciation and impairment losses	-3 973	-381		-4 354
NET CARRYING VALUE AT 31/12/2010	14 332	153		14 485
Acquisitions		3		3
Depreciation	-314	-33		-347
Effect of exchange rate fluctuations	-1 290	-14		-1 304
Acquisition value	16 584	481		17 065
Depreciation and impairment losses	-3 856	-372		-4 228
NET CARRYING VALUE AT 31/12/2011	12 728	109		12 837
Depreciation	-311	-16		-327
Transfer from / to assets classified as held for sale	-1 909			-1 909
Effect of exchange rate fluctuations	840	8		848
Acquisition value	15 832	520		16 352
Depreciation and impairment losses	-4 484	-419		-4 903
NET CARRYING VALUE AT 31/12/2012	11 348	101		11 449

Since 18 January 2007 the land, buildings and equipment in Poznan (Poland) are no longer used for Kinopolis' own operations, but have been leased to Cinema City, owned by the cinema group ITIT, and to a number of smaller third parties. As required by IAS 40 (Investment property), the assets in question have been transferred to this heading. In 2012 the Group received a new bank guarantee on first demand for € 0.2 million from Cinema City. In exchange, in 2013 the Group will assume costs for a maximum amount of € 0.1 million for the renovation of the Polish cinema complex.

In 2012 part of the land in Poznan (Poland) was transferred to 'Assets classified as held for sale' for € 1.9 million, because this

land is expected to be sold within the year.

The fair value of the investment property as recently determined by an independent expert was € 16,2 million (2011: € 18.0 million). The decrease in the fair value compared to 2011 is due to the above mentioned transfer of a part of the land to 'Assets classified as held for sale'.

The rental income from investment property was € 1.3 million (2011: € 1.3 million). The direct operating charges (including repairs and maintenance) ensuing from investment property were € 0.4 million (2011: 0.5 million).

13. Deferred tax

The deferred tax assets and liabilities recognized in the statement of financial position can be attributed as follows.

IN '000 €	2011	2012
Property, plant and equipment and other intangible assets	1 001	848
Investment grants receivable	1 891	1 829
Provisions	110	114
Government grants	280	256
Derivative financial instruments through equity		215
Tax losses carried forward and other deferred tax assets	3 586	1 392
Inventories	3	4
TOTAL	6 871	4 658
Tax offsetting	-5 320	-3 912
DEFERRED TAX ASSETS	1 551	746
Property, plant and equipment and other intangible assets	-18 488	-18 906
Provisions	-151	-154
Government grants	-1 000	-730
Investments in subsidiaries		-1 537
TOTAL	-19 639	-21 327
Tax offsetting	5 320	3 912
DEFERRED TAX LIABILITIES	-14 319	-17 415

Temporary differences for which no deferred tax assets are recognized

No deferred tax asset is recognized in the statement of financial position in respect of tax losses carried forward and temporary differences that would result in a deferred tax asset in an amount of € 10.6 million (2011: € 25.4 million), because it is improbable that sufficient taxable profit will be available within the timeframe to be able to enjoy the tax benefit. The tax losses carried forward can be carried forward to an unlimited degree for Belgium, France and the Netherlands. In Poland and Switzerland the losses can be carried forward for 5 and 7 years respectively.

Temporary differences for which deferred tax liabilities are recognized from 2012

In 2012 a deferred tax liability of € 1.5 million was recognized in connection with all distributable reserves in the subsidiaries of the Group. This deferred tax liability was allocated to the investments in subsidiaries in the above table. In 2011 no such deferred tax liability was established (€ 3.1 million).

14. Inventories

IN '000 €	2011	2012
3D glasses	1 331	1 082
Goods purchased for resale in the multiplexes	879	1 032
Components inventory technical department	769	1 061
Other	45	74
TOTAL	3 024	3 249

The cost of sales of inventories recognized in the income statement in 2012 was € 15.3 million (2011: € 15.2 million).

15. Trade and other receivables

Non-current other receivables

IN '000 €	2011	2012
Cash guarantees	360	384
Other receivables	14 005	12 760
TOTAL	14 365	13 144

All non-current other receivables relate to the sector-related government grants (CNC) obtained in France.

Current trade and other receivables

IN '000 €	2011	2012
Trade receivables	19 851	18 992
Taxes receivable, other than income taxes	2 175	893
Deferred charges and accrued income	115	101
Tax shelter receivables	770	634
Tax shelter investments	351	413
Other receivables	4 113	2 265
TOTAL	27 375	23 298

Tax shelter receivables concern the loans made to third parties to finance and support the production of movies in Belgium.

Tax shelter investments concern the film rights the Group acquires as part of tax shelter transactions.

The other current receivables primarily consist of the current portion of the French sector-related government grants (CNC) for € 1.6 million (2011: € 2.5 million). In 2011 these also included the receivable from cinema group ITIT for € 1.0 million. This receivable was reimbursed in January 2012. The other current receivables do not include any financial assets.



Ageing of the non-current and current trade and other receivables

IN '000 €	GROSS CARRYING VALUE 2011	IMPAIRMENT 2011	NET CARRYING VALUE 2011	GROSS CARRYING VALUE 2012	IMPAIRMENT 2012	NET CARRYING VALUE 2012
Not yet due on reporting date	33 179	-5	33 174	28 222	-3	28 219
Less than 30 days past due	4 922	-9	4 913	5 541	-20	5 521
Between 31 and 120 days past due	3 099	-130	2 969	1 940	-98	1 842
Between 120 days and 1 year past due	648	-410	238	697	-623	74
Over 1 year past due	1 264	-818	446	1 611	-825	786
TOTAL	43 112	-1 372	41 740	38 011	-1 569	36 442

Movement in the allowance for impairment of trade receivables

IN '000 €	2011	2012
BALANCE AT END OF PREVIOUS PERIOD	-5 289	-1 372
Recognized impairments	-580	-634
Utilized impairments	3 937	168
Reversed impairments	587	276
Effect of exchange rate fluctuations	-27	-7
BALANCE AT END OF CURRENT PERIOD	-1 372	-1 569

No impairment allowance was recognized for past due amounts where collection continues to be deemed likely.

For the financial assets other than trade receivables there is no ageing problem.

16. Cash and cash equivalents

IN '000 €	2011	2012
Current investments (less than three months)	2 600	16 850
Cash at bank and in hand	15 070	11 977
TOTAL	17 670	28 827
Bank overdrafts considered as cash and cash equivalents in the statement of cash flows	-126	-42
CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS	17 544	28 785

17. Other financial assets

IN '000 €	2011	2012
Other	27	27
TOTAL	27	27

18. Assets classified as held for sale

IN '000 €	2011	2012
BALANCE AT END OF PREVIOUS PERIOD	8 138	6 721
Sales and disposals	-1 417	
Transfer to / from other categories		1 909
Effect of exchange rate fluctuations		43
BALANCE AT END OF CURRENT PERIOD	6 721	8 673

In 2012 part of the land in Poznan (Poland) of the investment property was transferred to assets classified as held for sale for € 1.9 million, because there are concrete plans to sell these sites within the year.

On 31 December 2011 and 2012 the assets held for sale consist of the land in Valencia (Spain). Sales efforts are ongoing. The sales are expected to take place within the year.

In 2011 the last 13 apartments with garages in Ghent (Belgium), which were part of the Group's partnership with Groep Blijweert,

were sold. The former cinema 'Opéra' in Liège (Belgium) was sold in 2011. The total capital gain on the two projects was € 2.8 million.

19. Equity

The various components of equity as well as the changes between 31 December 2011 and 31 December 2012 are set out in the Consolidated statement of changes in equity.

Issued capital

The Company's share capital at 31 December 2012 was € 19.0 million (2011: € 19.0 million), represented by 5 856 508 ordinary shares without nominal value (2011: 6 581 355 shares). All shares are paid up in full. The share premium at 31 December 2012 was € 1.2 million (2011: € 1.2 million). The ordinary shares are entitled to dividend and the holders of these shares are entitled to cast one vote at the Company's shareholder meetings.

The Company's capital was reduced by € 30.0 million in 2011, following the approval by the Extraordinary General Meeting of 20 May 2011.

The Extraordinary General Meeting of 20 May 2011 also authorized the Board of Directors to buy back, under certain conditions, up to 1 108 924 of the Company's shares, 1 074 270 for cancellation and 34 654 to cover new options. In 2012, 713 422 shares were bought back (2011: 395 502) and 724 847 shares were cancelled (2011: 349 423). On 31 December 2012 the Group held 311 885 treasury shares (2011: 323 310).

On 19 October 2012 the Extraordinary General Meeting approved another authorization to purchase up to 1 171 301 own shares for

cancellation. This authorization is valid for a term of five years and can be renewed.

Hedging reserve

The hedging reserve contains the effective portion of the cumulative net change in the fair value of the cash flow hedges for which the hedged future transaction has not yet occurred.

Translation differences

The translation differences include all exchange rate differences resulting from the translation of the financial statements of foreign entities.

Share-based payments reserve

At 31 December 2012 a total of 292 624 options were allocated (2011: 300 424 options). These options entitle their holders to one share per option (see note 21). The options will expire ten years after the date of approval of the Plan by the Board of Directors, which is 5 November 2017.

Dividends

On 19 February 2013 a dividend of € 13.1 million was proposed with respect to 2012 (2011: € 10.6 million). Based on the number of shares entitled to dividend at 31 December 2012, this means a gross dividend per share of € 2.36 (2011: € 1.80). This dividend has not yet been approved by the Company's General Meeting of Shareholders and is therefore not yet recognized in the consolidated financial statements.

20. Earnings per share

IN '000 €	2011	2012
Profit attributable to equity holders of the Company	36 194	35 704
Weighted average number of ordinary shares	6 550	5 801
Effect of options	110	165
Weighted average number of diluted shares	6 660	5 966
Basic earnings per share (in €)	5.53	6.15
Diluted earnings per share (in €)	5.44	5.98

Basic earnings per share

The calculation of the basic earnings per share is based on the profit of € 35.7 million attributable to the ordinary shareholders (2011: € 36.2 million) and a weighted average number of ordinary shares outstanding during the year of 5 800 963 (2011: 6 550 294).

Diluted earnings per share

The calculation of the diluted earnings per share is based on the profit of € 35.7 million attributable to the ordinary shareholders (2011: € 36.2 million) and a weighted average number of diluted ordinary shares outstanding during the year of 5 966 251 (2011: 6 660 484).



21. Share-based payments

Share Option Plan

On 5 November 2007 the Board of Directors approved a share option plan to encourage and reward selected Directors and executives who are able to contribute to the success and to the long-term growth of the Group. 277 231 options could be granted under this plan.

At the Board meeting of 18 December 2007 it was decided to set the exercise price at the average stock market price of the 30 days preceding the offer. The option will expire 10 years after the date of its approval by the Board of Directors.

The Board of Directors of 25 March 2011 approved the enlargement of the 2007-2016 share option plan by 34 654 shares to a total of 311 885 shares.

At 31 December 2012 the total number of allocated options of the share option plan was 292 624 (2011: 300 424). 7 800 options were forfeited. No options were exercised. No additional options were granted in 2012.

The fair value of these share-based payments was estimated when the options were allocated, using a Trinomial (American type call option) valuation model.

The expected volatility is based on the historic volatility calculated on the basis of five years of historic data.

AMOUNTS IN € UNLESS STATED OTHERWISE	03/2008	02/2009	08/2009	08/2010	03/2011	10/2011
Fair value of allocated options	10.00	2.55	8.65	12.50	12.70	13.35
Share price at grant date	28.51	15.20	26.00	43.50	52.15	58.80
Exercise price	23.85	10.74	18.91	37.41	48.19	56.20
Expected volatility	31%	35%	41%	39%	41%	29%
Expected term (in years)	8	6	6	5	4	5
Expected dividend growth	10%	10%	10%	10%	10%	10%
Risk-free interest rate	4.70%	3.20%	3.30%	2.55%	3.16%	2.15%

The options can be exercised for the first time during the first exercise term, which falls in the fourth calendar year after the year in which the options were offered to the participants. The options granted in 2008 can be acquired in tranches of 12.5% per year on each anniversary of the grant date. The options granted in 2009 can be acquired in tranches of 16% per year during the first five years after allocation, the final tranche of 20% can be acquired in the sixth year after granting.

The options granted in 2010 can be permanently acquired in tranches of 20% per year during the first five years after granting. The options granted in March 2011 can be permanently acquired in tranches of 25% per year during the first four years after granting. The options granted in October 2011 are vested in tranches of 20% per year during the five years after their grant date.

AMOUNTS IN € UNLESS STATED OTHERWISE	NUMBER OF OPTIONS 2011	WEIGHTED AVERAGE EXERCISE PRICE 2011	NUMBER OF OPTIONS 2012	WEIGHTED AVERAGE EXERCISE PRICE 2012
Outstanding options at the end of the previous year	252 924	23.58	300 424	28.01
Options granted during the year	47 500	51.56		
Options forfeited during the year			-7 800	-10.74
Outstanding options at the end of the period	300 424	28.01	292 624	28.47
Exercisable options at the end of the period			103 962	23.85

The weighted average exercise prices for 2011 were adjusted to account for the capital reduction in 2011.

22. Loans and borrowings

This note provides information on the contractual stipulations of the Group's loans and borrowings.

For further information on these loans and borrowings and the Group's exposure to interest and exchange rate risks, see note 25.

Non-current loans and borrowings

IN '000 €	2011	2012
Leasing and similar liabilities	8 502	7 665
Guaranteed loans and borrowings with credit institutions	30 000	
Public bond		75 000
Transaction costs refinancing		-956
TOTAL	38 502	81 709

Current loans and borrowings

IN '000 €	2011	2012
Leasing and similar liabilities	1 894	2 190
Guaranteed loans and borrowings with credit institutions	51 000	
Other loans and borrowings	3 000	35 499
TOTAL	55 894	37 689

A new unguaranteed credit agreement was signed for € 90.0 million in 2012 to pay off the guaranteed credit agreement that was coming to an end. None of this credit was used at 31 December 2012. Within the framework of the refinancing, a public bond was issued for € 75.0 million as well.

The transaction costs within the framework of the refinancing were € -1.1 million and are recognized in the income statement over the

term of the unguaranteed credit agreement and the public bond. The amount not recognized in the income statement will be charged to loans and borrowings.

At the end of 2012 the outstanding Commercial Paper debt was € 35.5 million (2011: € 3.0 million). This amount is part of Other loans and borrowings.

Finance lease liabilities

In 2012 digital projectors were sold and leased back for six years for € 1.4 million (2011: € 2.1 million).

The future minimum lease payments were:

IN '000 €	PAYMENTS 2011	INTEREST CHARGES 2011	CAPITAL 2011	PAYMENTS 2012	INTEREST CHARGES 2012	CAPITAL 2012
Less than one year	2 276	-382	1 894	2 529	-339	2 190
Between one and five years	8 966	-706	8 260	7 953	-483	7 470
More than five years	245	-3	242	197	-2	195
TOTAL	11 487	-1 091	10 396	10 679	-824	9 855

23. Provisions

The provisions primarily concern the reinstatement of land, costs for ending leases, transformation costs and a number of disputes.

Reinstatement of land

The Brussels cinema complex's lease on the land owned by the City of Brussels ends in 2025. The Company has a contractual obligation to restore the land to its original state. At 31 December 2012 the provision for the demolition of the building and the reinstatement of the land to its original state was € 1.1 million (2011: € 1.0 million).

Transformation

The provision for transforming the organization set up by the Group in 2009 for € 0.8 million was still € 0.2 million at the end of 2012 (2011: € 0.2 million). € 0.5 million of the transformation provisions, set up in 2011 for € 1.0 million, was used in 2012. In 2012 additional transformation provisions were set up for € 0.6 million.

Disputes

A number of provisions for disputes were set up in 2010 in a total amount of € 0.5 million. The amount of these provisions was unchanged



at 31 December 2012 because there were no developments in these disputes. When these provisions will be used or reversed depends on the outcome of the related legal disputes and is accordingly uncertain.

Termination of lease agreements

In 2012 the Group has set up a provision for the termination of lease agreements for € 0.5 million.

IN '000 €	2011	2012
BALANCE AT END OF PREVIOUS PERIOD	2 446	3 791
Provisions set up	1 205	1 170
Discounting of provisions	40	37
Use of provisions	-337	-716
Reversal of provisions	-13	-231
Changes in the consolidation scope	450	
BALANCE AT END OF CURRENT PERIOD	3 791	4 051
Balance at end of current period (non-current)	3 513	3 776
Balance at end of current period (current)	278	275
TOTAL	3 791	4 051

24. Trade and other payables

Non-current trade and other payables

IN '000 €	2011	2012
Other payables	9 318	8 624
TOTAL	9 318	8 624

The non-current other payables primarily consist of the government grants received in France (CNC). These government grants, in the amount of € 8.2 million (2011: € 9.0 million), are recognized as other

operating income in line with the depreciation of the assets for which these grants were obtained.

Current trade and other payables

IN '000 €	2011	2012
Trade payables	48 740	48 754
Employee benefits	8 146	7 826
Taxes payable, other than income taxes	5 088	3 583
Tax shelter payables	500	500
Advances received for contracts in progress	361	361
Accrued charges and deferred income	63	2 958
Other payables	433	343
TOTAL	63 331	64 325

Other payables

The higher other payables at 31 December 2011 are due to the remaining amount of € 0.1 million to be paid out with regard to the capital reduction that was carried out in 2011. This amount was almost fully paid out at the end of 2012.

Accrued charges and deferred income

At 31 December 2012 the accrued interest charges with respect to the public bond issued in 2012 was € 2.9 million.

25. Financial instruments

Financial risk management

The Group's principal financial instruments are bank loans, a public bond, finance leases and cash.

The Group has various other financial instruments such as trade and other receivables and payables, which arise directly from its operations.

The Group also enters into derivative financial instruments, primarily forward rate agreements, interest swaps and foreign exchange forwards. The purpose is to manage the interest rate and currency risks arising from the Group's activities and its sources of financing.

It is Group policy not to undertake any trading positions in derivative financial instruments.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. It is Group policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item so as to maximize hedge effectiveness.

The Board of Directors investigates and approves policies for managing each of these risks. These policies are summarized below. The Group's accounting policies in relation to derivatives are set out in the accounting policies.

Interest rate risk

The Group's exposure to market risk for changes in interest rates primarily relates to the Group's short and long-term loans and borrowings.

Group policy is to manage interest rate costs with a mixture of fixed and variable interest rate liabilities. To manage this mix in a cost-efficient manner, the Group enters into:

- a) interest rate swaps and forward rate agreements in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to a pre-agreed principal amount.
- b) interest rate derivatives with fixed ceilings, hence limiting the impact of interest rate movements whilst leaving the opportunity to benefit from low short-term floating interest rates.

At balance sheet date the Group had interest rate swaps outstanding, on which the Group receives a variable interest rate equal to EURIBOR, and on which it pays a fixed interest rate. These swaps are used to cover the variability in the cash flows of the underlying loans.

These interest rate swaps are determined as cash flow hedges in accordance with the IAS 39 hedge accounting. Therefore the effective portion of the change in fair value of the interest rate swaps is recognized directly in equity. The total changes in fair value of the interest rate swaps before deferred tax recognized in equity resulted in an increase in equity of € 0.7 million at 31 December 2012 (2011: a decrease of € 0.1 million).

Kinopolis pursues a conservative financial policy. To hedge interest risk, since 2008 Kinopolis uses only derivative financial instruments of which movements in fair value are offset directly against equity and have no impact on the income statement (hedge accounting).

All interest rate derivatives deemed to be freestanding were ended in 2008. In 2012 this gave a positive result of € 0.0 million recognized in the income statement (2011: € 0.0 million).

At 31 December 2012, after taking into account the effect of interest rate swaps, 100% of the Group's borrowings were recognized at a fixed interest rate (2011: 72% at a fixed interest rate).

Interest risk sensitivity analysis

The interest-bearing loans at the balance sheet date were € 119.4 million (2011: € 94.5 million). € 34.8 million or 29% of interest-bearing loans have a variable interest rate, without taking account of the effect of interest rate swaps (€ 84.1 million or 89% in 2011).

The total interest charged to the income statement in 2012, including the realized results on derivative interest rate instruments, were € 5.0 million (2011: € 2.7 million). According to the company's estimates the market interest rate applicable to the variable interest rate loans can reasonably be expected to change as follows:

	INTEREST RATE 31/12/2012	THEORETICAL VOLATILITY	POSSIBLE INTEREST RATE 31/12/2012 AS USED IN THE SENSITIVITY ANALYSIS
EURIBOR (3m)	0.19%	20%	0.15% - 0.22%

Applying the possible increases/decreases in the market interest rates as given above to our variable rate borrowings at 31 December 2012, and all other variables being constant, the 2012 profit would be € 0.0 million lower/higher (2011: € 0.2 million). We estimated that this effect would be partially neutralized by the € 0.0 million higher or lower interest income from interest rate derivatives (2011: € 0.2 million). The fair value of the financial instruments recognized in equity would in this case be € 0.0 million higher/lower.

Foreign currency risk

The Group has a foreign currency risk on positions deriving from sales or purchases and from outstanding borrowings with group companies in currencies other than the functional currency (EUR) (transaction risk).

Group policy is focused on minimizing the impact of exchange rate fluctuations on profit.

Derivatives can be used at any time to hedge this risk. This did not occur in 2012 and 2011.

The Group's sales and purchases denominated in currencies other than the functional currency are limited.

Loans between Kinopolis Financial Services NV and other group companies are expressed in the currency of the latter. As from 2011, foreign exchange results regarding the long-term loans in CHF and PLN of Kinopolis Financial Services NV to Kinopolis Schweiz AG and Kinopolis Poznan Sp.z o.o. are recognized in other comprehensive income, because these loans are considered to be part of the Group's net investment in these foreign entities.



The following foreign exchange results were recognized directly in equity:

IN '000 €	2011	2012
Polish zloty	-1 594	-842
Swiss franc	250	320
	-1 344	-522

The Group also incurs a foreign currency risk from consolidating foreign companies not having the EUR as their functional currency (Switzerland and Poland). This translation risk is not hedged.

1 EURO IS EQUAL TO:	CLOSING RATE 31/12/2012	AVERAGE RATE 2012	THEORETICAL VOLATILITY	POSSIBLE CLOSING RATE 31/12/2012	POSSIBLE AVERAGE RATE 2012
Polish zloty	4.0882	4.1858	20%	3.27 - 4.91	3.35 - 5.02
Swiss franc	1.2072	1.2053	20%	0.97 - 1.45	0.96 - 1.45

Currency risk sensitivity analysis

The above table states the possible changes in the exchange rate for PLN and CHF against the EUR, estimated on the basis of the theoretical volatility.

If, at the balance sheet date, the Polish zloty and the Swiss franc had strengthened/weakened as above, and all other variables being constant, the 2012 profit would have been € 0.0 million higher (2011: € 0.5 million higher) or € 0.0 million lower (2011: € 0.3 million lower) and equity at the end of 2012 would have been € 5.1 million lower or € 3.4 million higher (2011: € 6.0 million lower or € 4.0 million higher).

Credit risk

The credit risk with respect to trade receivables is the risk of financial loss the Group is exposed to if a customer fails to meet its contractual obligations. It is Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The Group sets up an impairment provision in the amount of the estimated losses from trade receivables. These are specific provisions for individually significant positions.

With respect to the credit risk arising from the other financial assets of the Group, including cash and cash equivalents, avail-

able for sale financial assets and certain derivative instruments, the Group's exposure to credit risk consists of the counterparty default risk, with a maximum exposure equal to the carrying amount of these instruments.

There are no longer any significant concentrations of credit risk within the Group. After the acquisition of Brightfish NV, formerly Screenvision Belgium NV, and the contribution in kind of part of Kinopolis Group NV's receivable in the capital of Brightfish NV at the end of 2011, the credit risk problem with regard to this company was resolved.

The extent of the Group's credit risk exposure is represented by the aggregate balance of the financial assets. The maximum nominal credit risk in the event that all parties were to fail to meet their obligations was € 65.3 million at 31 December 2012 (2011: € 59.4 million).

Liquidity risk

The Group seeks to maintain a balance between continuity in funding and flexibility through the use of credit lines, bank loans and finance leases. Group liquidity is managed through the in-house bank, Kinopolis Financial Services NV.

IN '000 €	CARRYING VALUE		FAIR VALUE	
	2011	2012	2011	2012
Public bond – fixed interest rate		75 000		79 501
Transaction costs refinancing		-956		-956
Lease liabilities – fixed interest rate	10 396	9 855	10 360	10 065
Loans and borrowings – variable interest rate	84 000	35 499	84 000	35 499
Bank overdrafts	126	42	126	42
TOTAL	94 522	119 440	94 486	124 151

Fair value

Fair value is the amount at which an asset can be traded or a liability settled between well-informed, willing parties, following the 'arm's length' principle. The aforementioned table gives the fair value and the carrying value of the main interest-bearing financial loans and borrowings.

The fair value of derivative financial instruments related to the interest rate is determined by discounting the expected future cash flows based on current market interest rates and the interest rate curve for the remaining life of the investment.

The fair value of forward foreign exchange contracts is calculated as

the discounted value of the difference between the contract value and current forward exchange rates.

The table below gives the nominal or contractual amounts and the clean fair value of all outstanding derivative financial instruments. The nominal or contractual amounts reflect the volume of the derivative financial instruments outstanding at the balance sheet date. As such they do not in any way represent the Group's risk on these transactions. Some of the interest rate swaps concluded on 31 December 2011 did not begin until 2012 (€ 20.0 million). The fair value of these contracts at 31 December 2011 was recognized in the statement of financial position for € -0.3 million. At 31 December 2012 there were no similar contracts.

IN '000 €	NOMINAL OR CONTRACTUAL AMOUNT		FAIR VALUE	
	2011	2012	2011	2012
Interest rate swaps	77 500	35 000	-1 367	-634
TOTAL	77 500	35 000	-1 367	-634

For other financial assets and liabilities, the fair value is equal to the carrying value.

The fair value of these derivative financial instruments is included in the Group's statement of financial position as follows:

IN '000 €	ASSETS		EQUITY AND LIABILITIES		NET CARRYING VALUE	
	2011	2012	2011	2012	2011	2012
Non-current			-856	-144	-856	-144
Current			-511	-490	-511	-490
TOTAL			-1 367	-634	-1 367	-634

Fair value hierarchy

The table below provides an overview of financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable input).

IN '000 €	2011			2012		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Cash flow hedging						
Interest rate swaps		-1 367			-634	
TOTAL		-1 367			-634	

Debt portfolio

On 15 February 2012, within the framework of the refinancing of its existing syndicated credit and the financing of the further general development of the Group, Kinopolis signed a new € 90.0 million credit agreement with ING Belgium, KBC Bank and BNP Paribas Fortis until 31 March 2017. Repayment of part of this credit is accelerated: € 15.0 million expires in 2015 and € 15.0 million in 2016. No securities were provided.

This new agreement contains certain financial covenants, including a maximum leverage ratio, minimum interest coverage and a minimum solvency ratio, as well as a number of potentially restrictive undertakings limiting or preventing specific business transactions. These covenants were attained in 2012.

There were no outstanding take-ups of this credit at 31 December 2012.

The Group also issued a public bond for € 75.0 million in Belgium on 6 March 2012. These bonds mature in seven years and have a fixed annual gross interest of 4.75%.

Under the Term and Revolving Facilities Agreement (€ 175 million) of 26 November 2004 and amended on 13 July 2007, which ended in 2012, Kinopolis Group NV granted pledge mandates on business assets and mortgage mandates on property in the amount of the outstanding financial debt. These mandates could be converted into actual pledges only if Kinopolis Group NV failed to meet certain commitments under the Loan Agreement. All securities were released on



6 March 2012, given that these conditions were never breached and the credit was repaid in full.

The Term and Revolving Facilities Agreement that ended in 2012 also included the usual financial covenants, as well as a number of potentially restrictive undertakings limiting or preventing specific business transactions. These covenants were attained in both 2011 and 2012.

The interest payable on the new and the ended credit agreement is calculated on the basis of the EURIBOR applicable to the selected borrowing period plus the negotiated margin.

In the autumn of 2009 a Commercial Paper program was issued with a maximum value of € 50 million for short-term financing purposes. At 31 December 2012 € 35.5 million had been taken up (2011: € 3.0 mil-

lion). The syndicated credit agreement functions in this context as back-up financing. The Commercial Paper is a flexible alternative to bank financing, comparable with a short-term corporate bond. The interest payable is calculated on the basis of the EURIBOR applicable to the selected borrowing period plus the negotiated margin.

In late 2010 a sale and leaseback agreement was concluded for an amount up to € 17.5 million. Under this agreement Kinopolis sells assets with a long useful life and leases them back for a term of six years. This facility provides an additional alternative to long-term bank financing. At 31 December 2012 € 9.9 million had been taken up (2011: € 10.4 million). These lease liabilities are guaranteed by the leased assets. The payable interest is calculated on the basis of a fixed interest rate determined as a weighted average of the BPR over 1 up to 6 years, increased by the negotiated margin.

Financial liabilities – future cash flows

The following table gives an overview of the contractual maturities for the financial liabilities at 31 December 2012, including the estimated interest payments:

IN '000 €	1 YEAR OR LESS 2012	1-5 YEARS 2012	MORE THAN 5 YEARS 2012	TOTAL 2012
Non-derivative financial liabilities				
Trade payables	48 754			48 754
Commercial Paper	35 499			35 499
Bond	3 563	14 250	82 125	99 938
Finance lease liabilities	2 529	7 953	197	10 679
Tax shelter payables	500			500
Third party current account payables	107			107
Bank overdrafts	42			42
Financial derivatives				
Interest rate swaps	606	28		634
TOTAL	91 600	22 231	82 322	196 154

IN '000 €	1 YEAR OR LESS 2011	1-5 YEARS 2011	MORE THAN 5 YEARS 2011	TOTAL 2011
Non-derivative financial liabilities				
Trade payables	48 740			48 740
Guaranteed loans and borrowings with credit institutions	75 336	7 316		82 652
Commercial Paper	3 051			3 051
Finance lease liabilities	2 276	8 966	245	11 487
Tax shelter payables	500			500
Third party current account payables	17			17
Bank overdrafts	126			126
Financial derivatives				
Interest rate swaps	775	361		1 136
TOTAL	130 821	16 643	245	147 709

In respect of interest-bearing loans and borrowings with a variable interest rate, the following table shows the periods in which they reprice.

IN '000 €	2011		2012	
	TOTAL	< 1 YEARS	TOTAL	< 1 YEARS
Guaranteed loans and borrowings with credit institutions	81 000	81 000		
Bank overdrafts	126	126	42	42
Commercial Paper	3 000	3 000	35 499	35 499
TOTAL	84 126	84 126	35 541	35 541

Hedging activities

The Group uses derivative financial instruments to hedge the interest rate risk. All derivative financial instruments are valued at market

price. The following table gives the remaining term of the outstanding derivative financial instruments at closing date. The amounts given in this table are the notional amounts.

IN '000 €	< 1 YEARS 2012	1-5 YEARS 2012	5 YEARS 2012	TOTAL 2012
Interest				
Interest rate swaps	30 000	5 000		35 000

IN '000 €	< 1 YEARS 2011	1-5 YEARS 2011	5 YEARS 2011	TOTAL 2011
Interest				
Interest rate swaps	47 500	30 000		77 500

26. Operating leases

Lease as Lessee

Non-cancellable operating lease rentals are payable as follows:

IN '000 €	2011	2012
Less than one year	2 271	2 114
Between one and five years	8 591	8 457
More than five years	9 306	7 048
TOTAL	20 168	17 619
Rental expenses in the income statement in respect of operational lease	2 207	2 114

The lease as lessee concerns the multiplex in Valencia (Spain), which has been leased over a term of 40 years since May 2001. There is an option to terminate the contract after 20 years. The contract does not provide for a purchase option.

Lease as Lessor

The Group has leased out parts of its property under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

IN '000 €	2011	2012
Less than one year	5 625	6 097
Between one and five years	8 301	9 250
More than five years	2 701	2 057
TOTAL	16 629	17 404
Rental income in the income statement in respect of operational lease	6 553	6 884

This is primarily the multiplex in Poznan (Poland) leased to Cinema City since January 2007 for a term of ten years (extendable by 5 years). The rent consists of a fixed and a variable portion, the latter is expressed as a percentage of Box Office revenue. This variable rent was € 0.1 million in 2012 (2011: € 0.3 million).

The Group also leases parts of its complexes to third parties who exploit them as shops or cafés. These concessions have

a term between 3 and 20 years (extendable). A fixed rent is always charged.

Furthermore, the car parks of a number of multiplexes are leased for a term between 1 and 9 years (extendable) in Belgium and for an indefinite period in Poland. A fixed rent is charged for part of these car parks. The revenue from the other car parks is variable, based on the basis of the sold parking tickets adjusted for management costs.



27. Capital commitments

There were no material capital commitments at the end of 2012.

28. Contingencies

- Purchase option granted to a third party on land in Valencia next to Kinopolis Paterna, Spain.
- On 30 September 2008 the decision of Ostend's (Belgium) local authority to grant planning permission to build the Kinopolis multiplex in the town was annulled by the Council of State. In

2013 the Provincial Executive approved the municipal spatial plan (GRUP) established by the City of Ostend in 2012. As a consequence, new planning permission can be granted to regularize the existing situation of Kinopolis Ostend.

29. Related parties

The transactions between the Group and its subsidiaries were eliminated in the consolidation and are accordingly not included in

this note. The transactions with other related parties are explained below.

Remuneration of the directors and executive officers

IN '000 €	2011	2012
Directors		
Remuneration	365	312
Executive officers (CEOs)		
Short-term employee benefits	1 356	1 400
Share-based payments	244	176

The CEOs and the Chairman of the Board of Directors took part in the 2006-2017 Group Share Option Plan (Incentive Plan) (see Note 21) (207 924 options).

Transactions with other related parties:

- Kinohold BIS SA performs certain administrative duties for the Group for which it charges a fee at the market rate.
- In 2012 Kinopolis Group no longer used the services of a company linked to a majority shareholder. This was the case in 2011 for € 2.2 million. These were arm's length transactions.
- Pentascoop NV provides a number of maintenance and transport services to the Group, for which it charges fees at the market rate.

- Until 2011 Pentascoop NV, whose permanent representative is Mrs. M.S. Bert-Vereecke, was paid an annual remuneration of € 0.2 million for her industry know-how and her contribution to the development of the Group in her capacity of founder, in accordance with agreements made when Kinopolis Group NV was formed, for as long as Mrs. M.S. Bert-Vereecke was a member of the Board of Directors. As a result of the end-ing of the directorship of Mrs. M.S. Bert-Vereecke, the Board of Directors decided in 2011 to grant Pentascoop NV exceptionally a € 0.2 million golden handshake, in recognition of the major contribution to the development, growth and professionalization of the Group.

30. Subsequent events

There were no important events after the end of the year.

31. Group entities

List of fully consolidated companies

COUNTRY	NAME	MUNICIPALITY	VAT OR ENTERPRISE NUMBER	% 2011	% 2012
Belgium	CINEPROJECTS NV	Brussels	BE 0816 884 015	100	100
	Brightfish NV	Brussels	BE 0450 523 725	100	100
	Decatron NV	Brussels	BE 0424 519 114	100	100
	Kinepolis Braine SA	Braine-L'Alleud	BE 0462 688 911	100	100
	Kinepolis Film Distribution (KFD) NV	Brussels	BE 0445 372 530	100	100
	Kinepolis Financial Services NV	Brussels	BE 0886 547 831	100	100
	Kinepolis Group NV	Brussels	BE 0415 928 179	100	100
	Kinepolis Immo Hasselt NV	Hasselt	BE 0455 729 358	100	100
	Kinepolis Immo Liège NV	Hasselt	BE 0459 466 234	100	100
	Kinepolis Immo Multi NV	Brussels	BE 0877 736 370	100	100
	Kinepolis Liège NV	Hasselt	BE 0459 469 796	100	100
	Kinepolis Mega NV	Brussels	BE 0430 277 746	100	100
	Kinepolis Multi NV	Kortrijk	BE 0434 861 589	100	100
France	Eden Panorama SA (Max Linder)	Lomme	FR 02340483221	100	100
	Forum Kinepolis SA	Nîmes	FR 86421038548	79.92	100
	Kinepolis France SA	Lomme	FR 20399716083	100	100
	Kinepolis Film Distribution France SASU	Lomme	FR 43789848280	0	100
	Kinepolis Immo St.Julien-lès-Metz SAS	Metz	FR 51398364463	100	100
	Kinepolis Immo Thionville SA	Thionville	FR 10419162672	100	100
	Kinepolis Le Château du Cinéma SAS	Lomme	FR 60387674484	100	100
	Kinepolis Mulhouse SA	Mulhouse	FR 18404141384	100	100
	Kinepolis Nancy SAS	Nancy	FR 00428192819	100	100
	Kinepolis Prospection SAS	Lomme	FR 45428192058	100	100
	Kinepolis St. Julien-lès-Metz sa	Metz	FR 43398364331	100	100
	Kinepolis Thionville SA	Thionville	FR 09419251459	100	100
Luxembourg	Majestiek International SA	Luxembourg	LU 19942206638	100	100
Netherlands	Kinepolis Holding BV	Middelburg	NL 807760420B01	100	100
Poland	Kinepolis Poznan S.p.z. o.o.	Poznan	NIP 5252129575	100	100
Spain	Kine Invest SA	Pozuelo de Alarcon	ESA 824 896 59	100	100
	Kinepolis España SA	Pozuelo de Alarcon	ESA 814 870 27	100	100
	Kinepolis Granada SA	Pozuelo de Alarcon	ESA 828 149 55	100	100
	Kinepolis Jerez SA	Pozuelo de Alarcon	ESA 828 149 22	100	100
	Kinepolis Madrid SA	Pozuelo de Alarcon	ESA 828 149 06	100	100
	Kinepolis Paterna SA	Pozuelo de Alarcon	ESA 828 149 14	100	100
Switzerland	Kinepolis Schweiz AG	Schaffhausen	CH 2903013216-5	100	100



32. Mandates and remuneration of the Statutory Auditor

The Statutory Auditor for the Company is KPMG Bedrijfsrevisoren, represented by Ms. S. Brabants

For the entire Group, the mandates and remuneration can be summarized as follows:

IN €	2011	2012
Remuneration of the statutory auditor	276 462	304 669
Other audit-related services	2 500	58 775
Tax services		
Other	39 695	3 000
Remuneration for other services or assignments performed within the Company by the statutory auditor	42 195	61 775
Remuneration for persons associated to the statutory auditor for the performance of a mandate as statutory auditor	128 628	131 682
Other audit-related services		2 400
Tax services	26 470	18 125
Other	8 000	
Remuneration for other services or assignments performed within the Company by persons associated to the statutory auditor	34 470	20 525
TOTAL	481 755	518 651

Statutory auditor's report to the general meeting of KINEPOLIS GROUP NV for the year ended 31 December 2012

FREE TRANSLATION OF UNQUALIFIED STATUTORY AUDITOR'S REPORT ORIGINALLY PREPARED IN DUTCH

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report includes our report on the consolidated financial statements for the year ended 31 December 2012, as defined below, as well as our report on other legal and regulatory requirements.

Report on the consolidated financial statements

We have audited the consolidated financial statements of KINEPOLIS GROUP NV ('the company') and its subsidiaries (jointly 'the group'), prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2012 and the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to EUR 327 571 (000) and the consolidated statement of comprehensive income shows a profit for the year of EUR 37 445 (000).

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's prepara-

tion and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the company's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion.

Unqualified Opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's equity and consolidated financial position as at 31 December 2012 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the management report on the consolidated financial statements.

In the framework of our mandate our responsibility is, in all material aspects, to verify compliance with certain legal and regulatory requirements. On this basis, we provide the following additional comment which does not modify our opinion on the consolidated financial statements:

- The annual report on the consolidated financial statements includes the information required by law, is consistent, in all material aspects, with the consolidated financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Kontich, 2 April 2013
KPMG Réviseurs d'Entreprises / Bedrijfsrevisoren
Statutory Auditor
represented by

Sophie Brabants
Réviseur d'Entreprises / Bedrijfsrevisor



Condensed financial statements of Kinopolis Group NV

The following information is an extract from the unconsolidated financial statements of Kinopolis Group NV, drawn up in accordance with Belgian accounting principles. These unconsolidated financial statements, together with the Board of Directors' report to the General Shareholders' Meeting and the Auditor's report, will be filed with the National Bank of Belgium within the legal deadline. It should be noted that only the consolidated financial statements as presented above give a true and fair view of the financial position and performance of Kinopolis Group NV.

Given that Kinopolis Group NV is essentially a holding company that accounts for its investments at cost in its unconsolidated statements, these separate financial statements give only a limited view of the financial position of Kinopolis Group NV. For these reasons the Board of Directors has deemed it appropriate to present only a

condensed unconsolidated balance sheet and income statement, prepared according to Belgian accounting principles for the year ending 31 December 2012.

The statutory auditor's report on these statements is unqualified and confirms that the unconsolidated financial statements of Kinopolis Group NV, prepared in accordance with Belgian accounting principles for the year ending 31 December 2012, give a true and fair view of the financial position of Kinopolis Group NV in accordance with all legal and regulatory provisions.

These unconsolidated financial statements of Kinopolis Group NV can be obtained free of charge from the website of Nationale Bank van België (www.nbb.be), in section 'Balanscentrale', subsection 'Jaarrekeningen opzoeken', or requested free of charge from Investor Relations.

Condensed unconsolidated balance sheet of Kinopolis Group NV

IN '000 €	2011	2012
Non-current assets	154 978	237 115
Intangible assets	1 726	1 533
Property, plant and equipment	11 015	10 189
Financial fixed assets	142 237	225 393
Current assets	15 590	20 363
TOTAL ASSETS	170 568	257 478
Equity	50 560	64 666
Issued capital	18 952	18 952
Share premium	1 154	1 154
Legal reserve	4 896	4 896
Unavailable reserves	8 289	7 676
Available reserves	4 049	4 049
Profit carried forward	13 220	27 939
Provisions and deferred taxes	842	480
Non-current loans and borrowings	43 479	123 589
Current loans and borrowings	73 445	63 162
Accrued charges and deferred income	2 242	5 581
TOTAL EQUITY AND LIABILITIES	170 568	257 478

Condensed unconsolidated income statement of Kinopolis Group NV

IN '000 €	2011	2012
Operating income	32 484	68 064
Operating expenses	-26 141	-31 068
OPERATING PROFIT	6 343	36 996
Financial result	2 728	42 757
Extraordinary result	-519	500
Current tax expenses		-4 573
GAIN/(LOSS) FROM THE FINANCIAL YEAR FOR APPROPRIATION	8 552	75 680

Profit appropriation of Kinopolis Group NV

IN '000 €	2011	2012
Gain/(loss) from the financial year to be incorporated	8 552	75 680
Profit carrying forward from previous financial year	36 889	13 220
Addition to equity:	21 645	47 876
- To the legal reserve		
- To other reserves	21 645	47 876
Profit to be carried forward	13 220	27 939
Dividend	10 576	13 085

Mandates and remuneration of the Statutory Auditor at Kinopolis Group NV

The remuneration of the statutory auditor was € 156 832 for 2012 (2011: € 152 987). In addition to this remuneration, during the fiscal year the statutory auditor charged € 3 000 for non-auditing assignments (2011: € 37 295) and € 58 775 for other auditing assignments (2011: € 0).

Persons with whom the statutory auditor has a professional relationship charged Kinopolis Group NV € 18 125 for tax advice (2011: € 26 470 for tax advice and € 8 000 for other non-auditing assignments).





Glossary

Gross profit

Revenue - Cost of sales

Operating profit (EBIT)

Gross profit - distribution expenses - administrative expenses +/- other operating income and expenses

Current operating profit (REBIT)

Operating profit after eliminating non-current transactions

EBITDA

Operating profit + depreciations + amortizations + impairments + movements in provisions

REBITDA

EBITDA after elimination of non-current transactions

Effective tax rate

Income tax expense / profit before tax

Current profit

Profit for the period after elimination of non-current transactions

Profit for the period, share of the Group

Profit for the period attributable to owners of the Company

Basic earnings per share

Profit for the period, share of the Group / (average number of outstanding shares - average number of treasury shares)

Diluted earnings per share

Profit for the period, share of the Group / (average of number of outstanding shares - average number of treasury shares + number of possible new shares that must be issued under the existing share option plans x dilution effect of the share option plans)

Investments

Capitalized investments in intangible assets, property, plant and equipment and investment property

Net financial debt

Financial debt after deduction of cash and cash equivalents and tax shelter investments

ROCE (Return on capital employed)

REBIT / (average non-current assets - average deferred tax assets + average assets held for sale + average trade receivables + average inventory - average trade payables)

Current ratio

Current assets / current liabilities

Free cash flow

Cash flow from operating activities - maintenance investments in intangible assets, property, plant and equipment and investment property - interest paid





Financial calendar 2013-2014

<p>Thursday</p> <p>16</p> <p>May 2013</p> <p>---</p> <p>PUBLICATION BUSINESS UPDATE Q1 2013</p> <p>---</p>	<p>Friday</p> <p>17</p> <p>May 2013</p> <p>---</p> <p>GENERAL MEETING KINEPOLIS GROUP NV</p> <p>---</p>	<p>Monday</p> <p>27</p> <p>May 2013</p> <p>---</p> <p>DIVIDEND PAYMENT</p> <p>---</p>
<p>Thursday</p> <p>29</p> <p>August 2013</p> <p>---</p> <p>PUBLICATION H1 2013 RESULT PRESENTATION TO PRESS AND ANALYSTS</p> <p>---</p>	<p>Thursday</p> <p>14</p> <p>November 2013</p> <p>---</p> <p>PUBLICATION BUSINESS UPDATE Q3 2013</p> <p>---</p>	<p>Thursday</p> <p>20</p> <p>February 2014</p> <p>---</p> <p>PUBLICATION OF 2013 ANNUAL RESULTS – PRESENTATION TO PRESS AND ANALYSTS</p> <p>---</p>

These data are subject to change.

For updates to the financial calendar, please refer to the Kinopolis Investor Relations website.



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Creation: www.linknv.be

This report is available, in printed version and online, in English, French and Dutch.





<http://investors.kinepolis.com>