





KINEPOLIS

Welkom

Welcome





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'The Dark Knight Rises' Première, Kinepolis Antwerp (B)

01

KEY FIGURES AND RATIOS



Key figures

| NUMBER OF MULTIPLEXES | BELGIUM | FRANCE | SPAIN | OTHER (POLAND & SWITZERLAND) | TOTAL |
|-----------------------|---------|--------|-------|------------------------------|-------|
| 2013 | 11 | 7 | 3 | 2 | 23 |

| VISITORS (MILLIONS) ⁽¹⁾ | BELGIUM | FRANCE | SPAIN | SWITZERLAND | TOTAL |
|------------------------------------|---------|--------|--------|-------------|-------|
| 2012 | 9.4 | 6.3 | 3.9 | 0.2 | 19.8 |
| 2013 | 9.2 | 5.8 | 3.1 | 0.1 | 18.2 |
| 2013 vs. 2012 | -2.7% | -8.3% | -20.0% | -5.3% | -7.9% |

| CONSOLIDATED INCOME STATEMENT (IN € '000) | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 216 877 | 231 226 | 239 170 | 253 704 | 254 505 | 245 980 |
| EBITDA | 52 588 | 57 627 | 67 996 | 74 562 | 72 252 | 75 006 |
| REBITDA | 52 651 | 58 072 | 66 512 | 71 673 | 74 001 | 74 634 |
| Gross profit | 53 346 | 59 218 | 67 019 | 79 639 | 82 221 | 82 111 |
| Operating profit | 28 718 | 31 822 | 45 185 | 53 341 | 51 673 | 55 069 |
| Net finance expense | -8 390 | -2 305 | -5 153 | -3 169 | -5 859 | -5 998 |
| Profit before tax | 20 328 | 29 517 | 40 032 | 50 172 | 45 814 | 49 071 |
| Profit | 15 186 | 22 177 | 28 062 | 36 471 | 35 704 | 37 541 |
| Current profit | 15 225 | 20 421 | 28 039 | 35 195 | 37 405 | 37 395 |

| ANNUAL GROWTH RATES | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------------------|-------------|--------------|--------------|--------------|--------------|-------------|
| Revenue | 2.1% | 6.6% | 3.4% | 6.1% | 0.3% | -3.3% |
| EBITDA | 6.1% | 9.6% | 18.0% | 9.7% | -3.1% | 3.8% |
| REBITDA | | 10.3% | 14.5% | 7.8% | 3.2% | 0.9% |
| Gross profit | 7.4% | 11.0% | 13.2% | 18.8% | 3.2% | -0.1% |
| Operating profit | 14.2% | 10.8% | 42.0% | 18.1% | -3.1% | 6.6% |
| Profit | 3.1% | 46.0% | 26.5% | 30.0% | -2.1% | 5.1% |
| Current profit | | 34.1% | 37.3% | 25.5% | 6.3% | 0.0% |

| CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IN '000 €) | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Non-current assets | 299 349 | 288 153 | 281 856 | 272 139 | 261 868 | 255 239 |
| Current assets | 53 035 | 55 384 | 44 184 | 54 814 | 65 703 | 55 072 |
| TOTAL ASSETS | 352 383 | 343 537 | 326 040 | 326 953 | 327 571 | 310 311 |
| Equity | 117 306 | 132 540 | 157 318 | 133 942 | 108 668 | 104 657 |
| Provisions and deferred tax liabilities | 17 272 | 17 676 | 16 364 | 18 110 | 21 466 | 20 525 |
| Non-current loans and borrowings | 130 000 | 86 000 | 57 437 | 38 502 | 81 709 | 87 917 |
| Current loans and borrowings and bank overdrafts | 16 536 | 23 696 | 22 363 | 56 020 | 37 731 | 19 332 |
| Trade and other payables | 64 894 | 76 131 | 65 680 | 72 649 | 72 949 | 70 487 |
| Other | 6 375 | 7 494 | 6 878 | 7 730 | 5 048 | 7 393 |
| TOTAL EQUITY AND LIABILITIES | 352 383 | 343 537 | 326 040 | 326 953 | 327 571 | 310 311 |

| DATA PER SHARE ⁽²⁾ | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-------------------------------|-------|-------|-------|-------|-------|-------|
| Revenue | 31.80 | 34.74 | 35.95 | 38.73 | 43.87 | 45.29 |
| EBITDA | 7.71 | 8.66 | 10.22 | 11.38 | 12.46 | 13.81 |
| Profit | 2.22 | 3.31 | 4.19 | 5.53 | 6.15 | 6.91 |
| Current profit | 2.23 | 3.07 | 4.21 | 5.37 | 6.45 | 6.88 |
| Equity share of the Group | 17.03 | 19.72 | 23.41 | 20.17 | 18.73 | 19.27 |
| Gross dividend ⁽³⁾ | 0.66 | 0.92 | 1.26 | 1.80 | 2.36 | 3.19 |
| Pay-out ratio ⁽⁴⁾ | 30% | 30% | 30% | 30% | 35% | 45% |

(1) Excluding Cinema City Poznan, operated by ITIT

(2) Calculation based on the weighted average number of shares for the relevant period

(3) Calculation based on the number of dividend eligible shares. In 2013 the calculation is based on the number of dividend eligible shares on the date of this report.

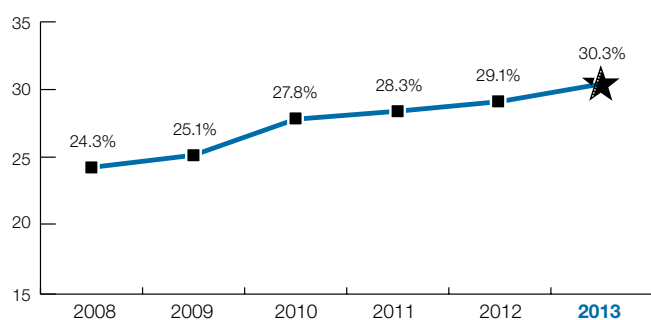
(4) Based on current profit as from 2009.

Ratios

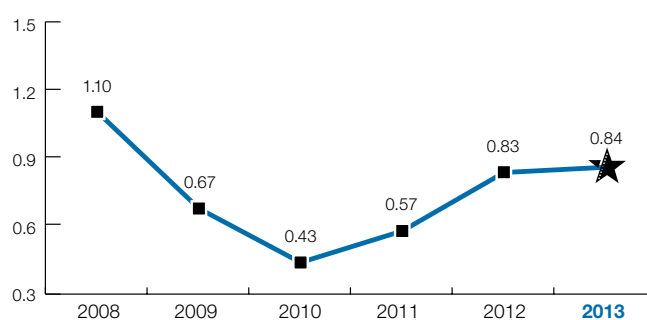
| PROFITABILITY RATIOS | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|----------------------------|-------|-------|-------|-------|-------|-------|
| EBITDA / Revenue | 24.2% | 24.9% | 28.4% | 29.4% | 28.4% | 30.5% |
| REBITDA / Revenue | 24.3% | 25.1% | 27.8% | 28.3% | 29.1% | 30.3% |
| Gross profit / Revenue | 24.6% | 25.6% | 28.0% | 31.4% | 32.3% | 33.4% |
| Operating profit / Revenue | 13.2% | 13.8% | 18.9% | 21.0% | 20.3% | 22.4% |
| Profit / Revenue | 7.0% | 9.6% | 11.7% | 14.4% | 14.0% | 15.3% |

| FINANCIAL STRUCTURE RATIOS | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---------------------------------------|---------|--------|--------|--------|--------|--------|
| Net financial debt | 129 248 | 89 364 | 66 956 | 76 501 | 90 200 | 88 141 |
| Net financial debt / EBITDA | 2.46 | 1.55 | 0.98 | 1.03 | 1.25 | 1.18 |
| Net financial debt / Equity | 1.10 | 0.67 | 0.43 | 0.57 | 0.83 | 0.84 |
| Equity / Total equity and liabilities | 33.3% | 38.6% | 48.3% | 41.0% | 33.2% | 33.7% |
| Current Ratio | 0.73 | 0.59 | 0.53 | 0.43 | 0.61 | 0.62 |
| ROCE | 9.8% | 12.0% | 16.0% | 19.8% | 21.8% | 22.9% |

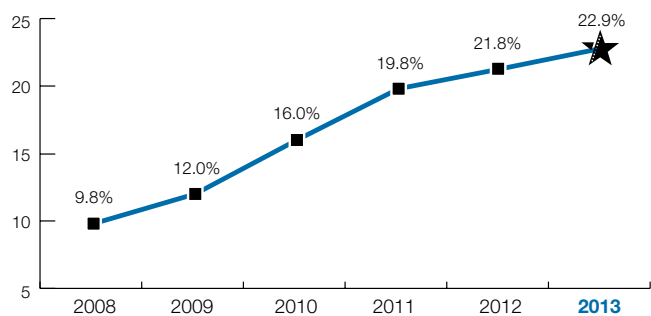
REBITDA / REVENUE



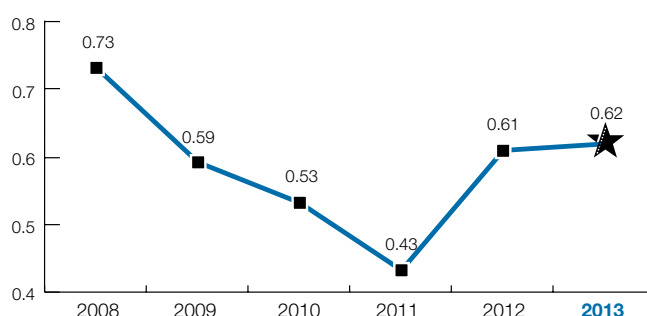
NET FINANCIAL DEBT / EQUITY



ROCE



CURRENT RATIO



KIN
LISTED
NYSE
EURONEXT





02

ANNUAL SUMMARY



Word from the Chairman and CEO's

Ladies and Gentlemen,

Dear shareholder, customer and employee,

2013 was another exciting year for Kinopolis. Our Group managed to post improved results despite lower visitor numbers, thanks to the continued implementation of the three strategic pillars the Group has been building on since 2008, together with a further capital optimization targeting value creation for shareholders.

The reduction in revenue from € 254.5 million to € 246.0 million was mainly the result of unfavorable weather conditions, the lack of local blockbusters in France and the consequences of the economic crisis in Spain. The downward trend could only be reversed at the end of the year, when the film program was boosted with a number of Flemish and international hits. All together, Kinopolis welcomed 18.2 million visitors over the course of the year. This did not prevent Kinopolis from posting strong results in virtually all other strategic activities, including Business-to-business, film distribution and screen advertising.

EBITDA (+3.8% to € 75.0 million) and profit (+5.1% to € 37.5 million) both increased. Current profit remained stable at € 37.4 million and the Group managed to reduce its net financial debt by € 2.1 million. Together with the continued implementation of the capital optimization program, earnings per share in 2013 rose by 12.4% to a new record of € 6.91 per share.

The share buyback program continued unabated in 2013. Over the course of the year Kinopolis bought back shares for a total amount of € 28.8 million. This transaction enabled the Group to optimize its capital structure for the third year running. The pay-out ratio of 45% on current profit of € 37.4 million resulted in a dividend of € 3.19 per share, over 35% higher than in 2012 and the tenth consecutive increase.

In the past year management of Kinopolis Group worked on finalizing an expansion strategy and started implementing it by putting together a project line-up. This can include both greenfield sites and acquisition projects in countries where Kinopolis already operates but also in countries bordering them. The purpose of the strategy is to realize the improvement potential of the target and in doing so create added value for shareholders by implementing the familiar strategic pillars.



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

Kinepolis is delighted to see an attractive film line-up for 2014, which already began very promising in the first quarter. At the same time, the Group is very proud with the attribution of the 'Global Achievement Award in Exhibition' to our CEO Eddy Duquenne during Cinemacón Las Vegas 2014. We would like to dedicate this prestigious prize to the whole Kinepolis team.

In 2014 Kinepolis worked further on deepening and implementing the strategic pillars, targeted to creating 'the ultimate movie experience' for its cinema visitors, an optimal place to work for its employees and added value for all its stakeholders. The Group is also preparing for expansion through acquisitions and/or greenfield sites to bring the Kinepolis experience to new customers. Kinepolis knows it can count on the commitment of its employees, film-lovers, suppliers and all other stakeholders. We would like to thank each and every one of them for the confidence they have shown in Kinepolis.



Eddy Duquenne
CEO

Joost Bert
CEO

Philip Ghekiere
Chairman of the Board of Directors



Kinepolis Group in brief



Kinepolis Event Center, Antwerp (B)

Kinepolis Group was formed in 1997 through the merger of the Bert and Claeys groups. The Group has been listed since 1998. Kinepolis Group markets an innovative cinema concept that is a blueprint for the industry.

Kinepolis Group owns 23 complexes 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 property management.

Every day 1 600 employees devote themselves to ensuring numerous cinema visitors have an unforgettable experience.



For years, the Kinepolis concept has been characterized by constant innovation and customer focus.

This was shown in recent years by across-the-board digitization, the seat reservation system, active film programming with films geared to visitor preferences, mobile ticketing and original marketing approaches, and innovative shop and interior concepts, among other things.

KINEPOLIS IN EUROPE ⁽¹⁾

| COUNTRY | COMPLEXES | THEATERS |
|-----------------------|-----------|------------|
| Belgium | 11 | 138 |
| France | 7 | 87 |
| Spain | 3 | 64 |
| Poland ⁽²⁾ | 1 | 20 |
| Switzerland | 1 | 8 |
| TOTAL | 23 | 317 |

(1) This number of complexes and theaters are included in our real estate portfolio but are not all used for cinema business.

(2) Run by the ITIT group.

Our mission and strategy

Kinepolis wants to offer film and culture lovers a unique experience. She puts together a personalized program 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 wants to be the **best marketer**



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



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

Our organization

The structure of Kinepolis is tailored to its geographic markets and is characterized by a flat organization in which decisions can be taken quickly. The organization is supported by five operating entities: cinema operations, real estate, Kinepolis Film Distribution (KFD), Brightfish for screen advertising and Digital Cinema Services for technological support.

Market information

In Europe the visitor numbers decreased by 1.8% in 2013 compared to the previous year. Western Europe (19 countries) has decreased from 904.5 million visitors in 2011, to 881.7 million visitors in 2012 and 840.8 million visitors in 2013. On the other hand, in Eastern Europe (16 countries) total visitor numbers have increased from 295.5 million in 2011 to 298.1 million in 2012 and 317.7 million in 2013.

The countries with the greatest rise in visitor numbers in 2013 were Russia (+8.7%) and Italy (+6%). The countries with the greatest fall in 2013 compared to 2012 were France (-5.3%), Germany (-4.5%) and Spain (-15%). Denmark, Belgium and the Netherlands are the most stable cinema markets.

The leading digital cinema groups in Europe have a 27% share of the European market, with 8 300 screens. Odeon/UCI Cinemas Group has 7%, followed by Cineworld/Cinemacity (consolidated since January 2014) at 6% and Vue Entertainment at 4%.

Source: Mediasalles – European Cinema Yearbook 2013



Our people

The unique 'movie experience' the Group promises demands the full commitment and talent of our people. Kinopolis wants to be a self-learning organization with room for initiative and personal development. We aspire to be the employer who gets the best out of each employee. With that in mind, our motto is 'Plus est en nous'. The establishment of a 'talent factory' helps Kinopolis to identify talent at all times; the 'Kinopolis Academy' program hones the personal skills of the Kinopolis employees.

Within the framework of the 'talent factory', a new evaluation system was introduced at the end of 2013 based on five Kinopolis values (Client focus, Teamwork, Entrepreneurship, Drive and Craftmanship), in order to measure behaviour and commitment.



Our core businesses

Kinopolis develops a wide range of activities. The six core businesses of Kinopolis Group are Box office, In-theatre sales (ITS), Business-to-business (B2B), film distribution, screen advertising and real estate.

BOX OFFICE

Box office ensues from the sale of cinema tickets.

The number of visitors is decisive here and is highly dependent on a number of key factors, including content, weather and holiday periods.

Kinopolis constantly optimizes visitor numbers in its multiplexes and megaplexes. Through its wide offering of films it reaches diverse groups of film and culture lovers.

Kinopolis continues to surprise its audience with its program. Kinopolis looks to identify customer preferences through the employment of an effective, innovative relationship marketing system. At Kinopolis the goal is to optimize the customer experience and this is partly driven by online and mobile services. Customers showed their appreciation for continuing investments in customer experience, such as digitalization, facilities and self-service. The Group targets the highest quality standard when it comes to facilities, comfort, organization and technology, which has resulted in some striking innovations in recent years.

Box office revenue was € 131.9 million in 2013, 5.7% lower than in 2012. This revenue declined less sharply than visitor numbers. Kinopolis welcomed 18.2 million visitors in 2013, a fall of 7.9% compared to 2012.



Box office

The visitor numbers declined in 2013 compared with the prior year due to the consequences of the economic crisis in Spain, the high number of snow days in the first quarter of the year and the heat wave in July and August in Belgium and France, and the lack of successful local content.

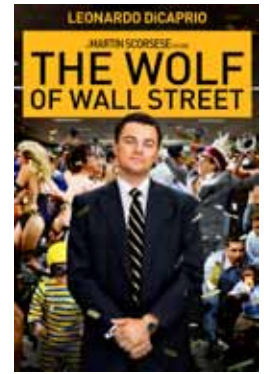
In the final quarter the reduction in the total number of visitors was partly offset by the strong film program in the autumn, especially 'The Hobbit: The Desolation of Smaug'. There were actually more visitors in Flanders in 2013 compared to 2012 thanks to the overwhelming success of the Flemish films 'Het Vonnis', 'Marina' and 'FC De Kampioenen'. The Group had its best December since 2009 (Avatar).

The top 5 films in 2013 were 'The Hobbit: The Desolation of Smaug', 'Despicable Me 2', 'The Hunger Games: Catching Fire', 'Fast and Furious 6' and 'Iron Man 3'. Hollywood productions were at the top of the chart in all countries. 'Het Vonnis' was the Flemish film that attracted most visitors in 2013.

2014 opened strongly with 'The Wolf of Wall Street' (distributed by Kinopolis Film Distribution), 'The Hobbit: The Desolation of Smaug', 'Frozen' and 'FC De Kampioenen' (Belgium).



The Hunger Games: Catching Fire



The Wolf of Wall Street



The Hobbit: The Desolation of Smaug



Marina

Other announced chart toppers in 2014 include 'Maleficent', 'Dawn of the Planet of the Apes', 'How to Train Your Dragon 2', 'Rio 2', 'Transformers: Age of Extinction', 'The Hunger Games: Mockingjay – Part 1', 'Interstellar' and 'The Hobbit: There and Back Again'.

Various local films, such as the Flemish titles 'De Behandeling' and 'Halfweg', the French films 'La Belle et la Bête', 'Le Crocodile du Botswana' and 'Supercondriaque' and the Spanish films 'Torrente 5' and 'Mortadelo y Filemón' enrich the program.

| VISITORS (IN MILLIONS)* | BELGIUM | FRANCE | SPAIN | SWITZERLAND | TOTAL |
|-------------------------|--------------|--------------|---------------|--------------|--------------|
| Number of multiplexes | 11 | 7 | 3 | 1 | 22 |
| 2013 | 9.2 | 5.8 | 3.1 | 0.1 | 18.2 |
| 2012 | 9.4 | 6.3 | 3.9 | 0.2 | 19.8 |
| 2013 VS. 2012 | -2.7% | -8.3% | -20.0% | -5.3% | -7.9% |

* Poland is run by the ITIT group.





Opera in de Cinema: Eugene Onegin – Tchaikovsky

As well as live opera, ballet, theatre and musicals, there will be concerts by Mylene Farmer, TAL, Elton John and others.

Kinepolis introduced **mobile ticketing** in all countries. This way, customers can buy tickets on their smartphone or tablet and do not need a print to enter the theatre. Advancements in the mobile payment market are followed closely. Kinepolis recently adopted PayPal to further facilitate online payments.

The **seat numbering and reservation** system has been successfully extended to the French multiplexes in recent months. This system not only contributes to a better customer experience, but also stimulates online sales. As a result, we are able to gather better information on our customers' preferences, and as such put together an even more tailored program.

As well as the very successful **opera productions, concert performances** are also attracting increased interest. In 2013 concert fans visited Kinepolis to experience shows by Metallica, Robbie Williams and Bruce Springsteen.

The **Family Card** has been successfully introduced in Belgium, Spain and France. With the Family Card, the whole family watches a family film at the child rate and gets an additional 10% discount in the Mega Candy shops.



In-theatre sales (ITS)

IN-THEATRE SALES (ITS)

In-theatre sales (ITS) comprises all revenue from the sale of beverages, snacks and merchandise in the multiplexes. Far-reaching measures in terms of facilities, sales concepts and content have pushed up revenue in this area in recent years.

All our multiplexes now have their own large Mega Candy self-service shop, a decisive factor in the increasing success of ITS. This concept has been supplemented by specific local initiatives in certain countries. One of them is the coffee corner, which has acquired a prominent place in all Kinopolis multiplexes in France. In addition to the extensive movie offering, which is specially designed to appeal to different target groups, an extensive range of refreshments is offered to meet the tastes of each of those groups.

In-theatre sales (ITS) per visitor rose by 6.4% to a new record in 2013, which meant that the decrease in total In-theatre sales was limited to -2.0%. Continued intensive range management generated higher consumption per visitor.

In December Kinopolis Nîmes was renovated and the Mega Candy concept was introduced, which immediately had a positive impact on local ITS.

BUSINESS-TO-BUSINESS (B2B)

Business-to-business (B2B) revenue is generated through privileged relationships and partnerships with the business world. The range of products and services is continually refreshed and diversified. B2B revenue is independent from movie ticket sales. Digitalization has transformed cinemas into multimedia auditoria, an innovative channel for business. Digital projectors, tailored conferencing infrastructure and service, more energetic prospecting, intensive media campaigns and successful partnerships make Kinopolis complexes ideal B2B locations. Kinopolis makes its professional facilities available for conferences, movie premières, corporate events and staff parties. B2B teams work to promote event and cinema voucher sale with intensive



Business-to-business (B2B)

campaigns. The cinema is also the perfect location for specific publicity campaigns to promote corporate brands. Screen advertising, sampling, digital screens in the foyers and advertising panels also play their part in that.

Business-to-business (B2B) revenue rose by 1.2% in 2013 compared to 2012. This growth is the consequence of the increase in screen advertising revenue in Belgium and higher revenue from the sale of corporate events and advertising in cinemas and the sale of vouchers to companies.

FILM DISTRIBUTION

Kinopolis Film Distribution (KFD) focuses on distributing international and domestic movies in Belgium and Luxembourg. As a specialist in Flemish movies KFD has earned a strong position in Belgium.

Through KFD Kinopolis shows that it wishes to support Flemish films.

Revenue from **film distribution** was € 3.4 million in 2013, an increase of 11.2% compared to 2012. This increase is due to KFD's successful releases in the fourth quarter, 'Marina', 'Het Vonnis' and 'Escape Line'.

Among the films distributed by KFD in 2013 were 'K3 Bengeltjes', 'Olympus Has Fallen', 'Piet Piraat en het Zeemonster', 'Riddick', 'Sinterklaas en de Pietenschool', 'Walking With Dinosaurs' and 'Bingo'. KFD also generated more revenue from video-on-demand and DVD distribution in 2013.



Film distribution





Screen advertising

SCREEN ADVERTISING

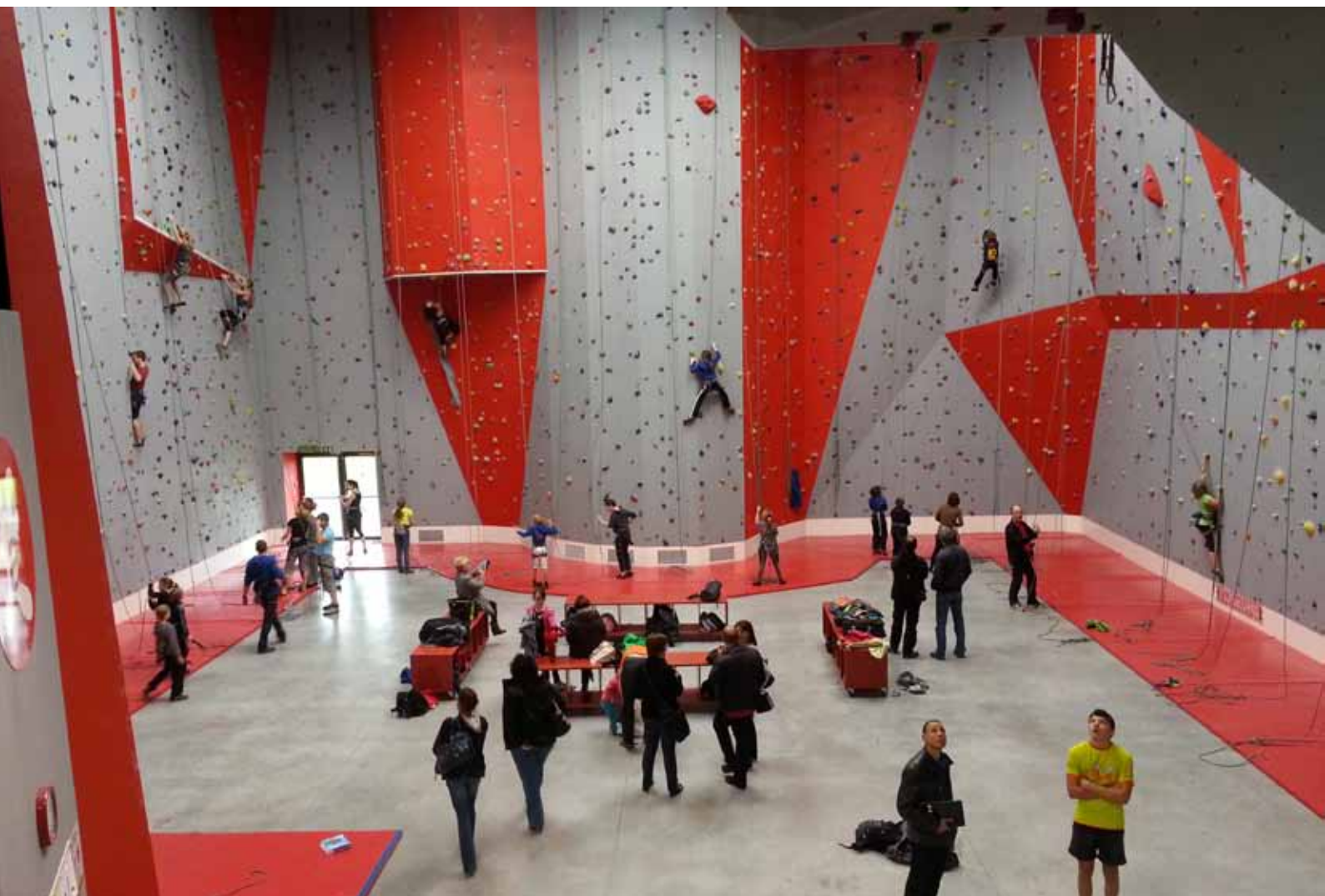
With the acquisition of advertising agency Brightfish at the end of 2011 Kinopolis launched a new core business in Belgium.

The transaction triggered a consolidation on the Belgian screen advertising market. At the same time, Kinopolis ensured that the Belgian cinema industry once again had a stable partner for screen advertising.

Brightfish revenue in 2013, after elimination of intra-group transactions, was as high as revenue in the previous year.

REAL ESTATE

Real Estate is a separate business unit tasked with coordinating the Group's property management and utilisation. Kinopolis owns the vast majority of its real estate, a situation that sets it apart from many other cinema operators. At year's end 2013 Kinopolis had a portfolio of 23 complexes, comprising 317 screens and over 94 000 seats. Over 55 000 m² is let to third parties. Footfall at these businesses (mostly shops and cafes) is often generated by the attraction of the Kinopolis complex.



Climbing wall at Kinopolis Lomme (F)

Real estate revenue in 2013 decreased by 1.8%, due to lower Polish rental income, which is partly linked to ticket sales. The Polish site is the only Group multiplex that is not under Kinopolis management.

Business space occupancy was steady in all countries, including Spain, in spite of the economic crisis.

In the spring of 2013 Kinopolis signed a sales agreement with Porsche Inter Auto Polska for an undeveloped site adjacent to the cinema in Poznan. Porsche plans to build an Audi office on the site with showroom and workshop.

The sold land is part of the area in front of the multiplex comprising 5.2 ha in total. Kinopolis was responsible for having the site reclassified as a trade and retail zone rather than a leisure zone.

Kinopolis also recently enlarged its premises in Lomme (France) by almost 1 000 m². Kinopolis leases this floor space to climbing wall operator Altissimo, which opened a new climbing wall at the beginning of July.

Renovation work on the Kinopolis Leuven arcade (Belgium) began at the end of 2013.

In mid October Kinopolis opened a soft ice-cream shop at its Antwerp megaplex that goes by the name Ola Happiness Station, where customers can create their own soft ice-cream swirl with their favourite toppings.

In the spring of 2014 Kinopolis launches 'The Magic Forest' at Kinopolis Madrid. 'The Magic Forest' is a playground for children covering no less than 1 000 m². Up to 350 children can enjoy a magical play experience, with or without a film. In the meantime, parents and child-minders can go to the film or relax with something to eat or drink in the Magic Forest Lounge, with 300 seats. The Magic Forest is also the ideal venue for birthday parties with animation.

Green Star, the Kinopolis sustainability project

Within a broader social context, Kinopolis prioritizes the potential ecological, cultural or social consequences of its operations. As a sustainable enterprise, the Group is committed to taking its overall social role and the potential impact on all stakeholders seriously. The Kinopolis sustainable business project is known as 'Green Star'.

Under the Green Star project, AEDs (automated external defibrillators) have been installed in all Belgian complexes in 2013. An AED is a machine that delivers an electric shock to the heart when someone is having a cardiac arrest.

Kinopolis is working on a waste-sorting system, also under Green Star.



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



For more general information about Kinopolis Group, see the Corporate Brochure on our website. Scan this QR code.





03

MANAGEMENT REPORT



Results 2013



Kinepolis Braine, Braine-l'Alleud (B), B2B presentation

In spite of the lower visitor figure compared with the previous year, Kinepolis was able to improve earnings per share further.

The number of visitors fell by 7.9%, mostly due to the dearth of local films in France, the consumer spending crisis and VAT rise in Spain, the severe winter weather in early 2013 and the hot summer in Belgium and France. Virtually all countries experienced a strong recovery at the end of the fourth quarter. In Belgium this was strengthened by the success of Flemish film. In spite of the decrease in the number of visitors by 7.9% or 1.6 million, turnover decreased by just 3.3% due to the increase in turnover per visitor, the growth of the Business-to-business activities and higher revenue from film distribution. This turnover growth and the continued improvement of operating efficiency led to a rise in current EBITDA by 0.9% to € 74.6 million, while current profit remained the same at € 37.4 million. Alongside the share buyback program implemented in 2013, this resulted in strong value creation for shareholders. Earnings per share rose by 12.4% and the dividend per share by 35.2% based on the number of dividend eligible shares on the date of the annual report.

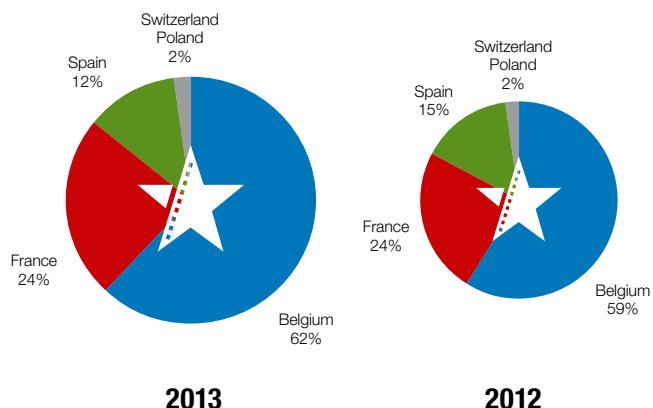
Kinepolis generates free cash flow of € 46.3 million. In spite of buying back shares for € 28.6 million (cash movement) the net financial debt was reduced by € 2.1 million to € 88.1 million, which means that the debt ratio remains very low at 1.2 times EBITDA.

Revenue

Revenue was € 246.0 million, a decrease of just 3.3% compared to 2012. Revenue fell less than visitor numbers, due to the higher spend per visitor and non-visitor-related activities, such as screen advertising (+11.9%) and film distribution (+11.2%).

Total turnover from ticket sales (Box office; -5.7%) and food, beverages and retail (In-theatre sales; -2.0%) decreased, but both Box office and In-theatre sales increased on a per visitor basis.

REVENUE BY COUNTRY



Belgium's share increased in 2013 due to the evolution of the visitor numbers, the stronger increase in Business-to-business activities and the higher revenue from film distribution.

Revenue can be broken down as follows:

Box office revenue was € 131.9 million, a fall of 5.7% compared to 2012. This revenue fell less sharply than visitor numbers, due to Belgium's increased share, price adjustments compensating for inflation, the increased importance of alternative content and higher VPF ("Virtual Print Fee") revenue.

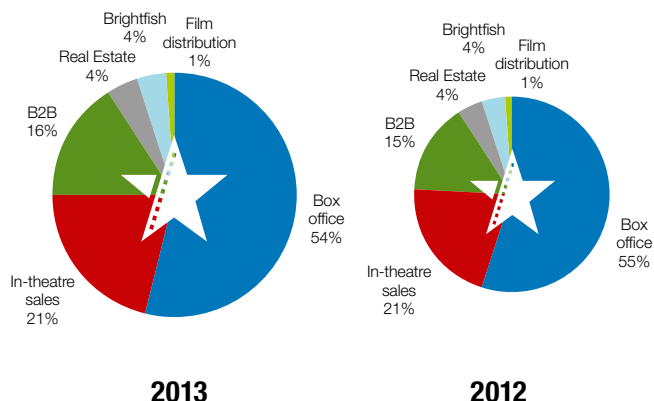
Kinepolis welcomed 18.2 million visitors in 2013, a fall of 7.9% compared to 2012.

In-theatre sales (ITS) per visitor rose by 6.4% to a new record, which meant that the fall in total In-theatre sales was limited to -2.0%, despite the fall in the number of tickets sold by 7.9%.

Business-to-business (B2B) revenue grew by 1.2% compared to the previous year. This growth is the consequence of the increase in screen advertising revenue in Belgium and higher revenue from the sale of corporate events and advertising in cinemas and the sale of vouchers to companies.

Real estate revenue decreased by 1.8%, due to lower Polish rental income, which is partly linked to ticket sales. The Polish site is the only Group multiplex that is not under Kinepolis management. At constant exchange rates the decrease was -1.7%. Business space occupancy was steady in all countries, including Spain, in spite of the economic crisis.

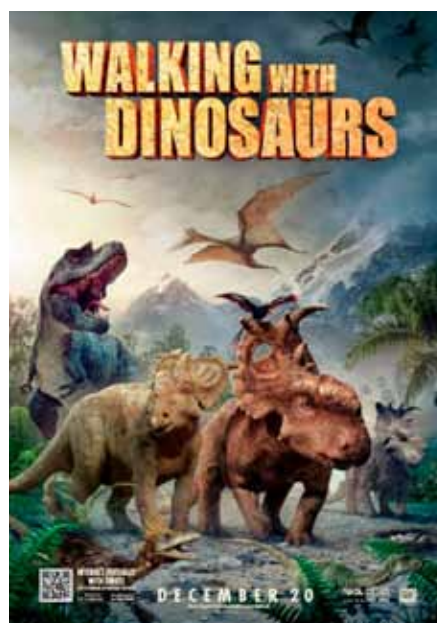
REVENUE BY ACTIVITY



Box office revenue was € 131.9 million, 5.7% lower than in 2012.

Revenue from **film distribution** was € 3.4 million, an increase of 11.2% compared to 2012. This increase is due to KFD's successful releases in the fourth quarter, 'Marina', 'Het Vonnis' and 'Escape Line'. Among the films distributed by KFD in 2013 were 'K3 Bengeltjes', 'Olympus Has Fallen', 'Piet Piraat en het Zeemonster', 'Riddick', 'Sinterklaas en de Pietenschool', 'Walking With Dinosaurs' and 'Bingo'. KFD also generated more revenue from video-on-demand and DVD distribution in 2013.

The revenue generated by **advertising agency** Brightfish, after elimination of the intra-group transactions, was as high as in 2012.



Walking With Dinosaurs





Kinepolis Bruges (B)

REBITDA

Current EBITDA (REBITDA) rose by 0.9% to € 74.6 million thanks to the continued focus on measures to improve efficiency and increase the margin, despite the lower visitor numbers. The annual efforts to reduce the Group's break-even level, resulting in an annual increase in efficiency, and the higher revenue per visitor, led to a further rise in the REBITDA margin to 30.3% compared to 29.1% in 2012.

Profit for the period

Current profit for the period was € 37.4 million, which is the same as it was in 2012. This is the consequence of the higher revenue per visitor, improved operating efficiency and lower overhead costs.

Total profit for the period was € 37.5 million, compared to € 35.7 million in 2012, an increase of 5.1%.

The most important non-current items in 2013 were the capital gain on the sale of an undeveloped site in Poland to Porsche Inter Auto Polska (€ 0.9 million), the reversal of a provision for the settlement of leases (€ 0.5 million) and transformation costs (€ -0.5 million).

The most important non-current items in 2012 were transformation costs (€ -1.2 million), a provision for settlement of rental agreements (€ -0.5 million) and one-off costs related to restructuring after the acquisition of the non-controlling interests in Forum Kinepolis Nîmes (€ -0.5 million).

Net finance costs were € 0.1 million higher than in 2012. Interest charges were virtually unchanged in 2013. The rise in interest charges due to the bond issue in 2012 was offset by lower interests on the other debts, in spite of the further capital optimization in 2013. Total capital optimization in 2011, 2012 and 2013 was € 135.4 million.

The effective tax rate was 23.5% compared to 22.1% in 2012. The higher tax is the consequence of the higher pre-tax profit and lower tax losses carried forward.

Earnings per share increased by 12.4% to € 6.91. This was due to the higher profit for the year and the purchase and cancellation of treasury shares in 2013, within the framework of the optimization of the capital structure.



Ladies at the Movies, Kinepolis Brussels (B)

Free cash flow and net financial debt

The free cash flow was € 46.3 million compared to € 54.1 million in 2012.

The lower free cash flow is chiefly due to working capital movements (€ -7.6 million) and higher interest paid (€ -2.7 million), partly compensated by higher EBITDA and other finance costs (€ 1.7 million), lower tax paid (€ 0.3 million) and lower maintenance capital expenditure (€ 0.5 million).

The working capital movements are chiefly due to:

- ★ Higher receipts in 2012 of sector-related government grants in France (CNC) (€ -2.2 million) and the receivable from cinema group ITIT in Poland (€ -1.1 million);
- ★ Minimum guarantees paid by Kinepolis Film Distribution in 2013 for the coming years (€ -1.7 million);
- ★ Lower trade payables at the end of 2013 due to a lesser month of November compared to 2012 (€ -0.8 million);
- ★ Higher trade receivables (Brightfish and B2B) due to good performances in December 2013 (€ -2.1 million).

In 2013 capital expenditure was € 12.0 million, € 0.8 million less than the previous year.

The net financial debt of Kinepolis was € 88.1 million as at 31 December 2013, a decrease of € 2.1 million compared to the end of 2012 (€ 90.2 million), after shares were bought back for € 28.6 million and € 13.1 million was paid out in dividend. The NFD/EBITDA ratio remained conservative at 1.2, despite the capital optimization.

The total gross financial debt decreased by € 11.6 million to € 107.8 million at 31 December 2013 compared to 31 December 2012 (€ 119.4 million).

Balance sheet

Fixed assets (including those classified as held for sale) at € 262.0 million represented 84.4% of the balance sheet total as at 31 December 2013. This includes land and buildings (including those classified as held for sale and investment property) with a carrying amount of € 187.0 million.

As at 31 December 2013 equity was € 104.7 million. Solvency was 33.7%, compared to 33.2% in 2012, after further share buybacks in 2013 totalling € 28.8 million and the dividend pay-out of € 13.1 million.

Key events after the end of the fiscal year 2013

There were no key events after the end of the fiscal year 2013.



Hand-over of the Global Achievement Award in Exhibition to Mr. Eddy Duquenne, CEO



Box office, Kinepolis Ghent (B)

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 7 May 2013 a revised version of the Corporate Governance Charter of Kinopolis Group NV of 18 December 2007 (amended on 17 December 2009). The Charter can be consulted at the Kinopolis Investor Relations website.

In this chapter of the annual report more factual information is provided on the Corporate Governance policy pursued in the fiscal year 2013, together with an explanation of the deviations from the Code in accordance with the 'comply or explain' principle.

Share capital

Authorized capital at 31 December 2013 was € 18 952 288.41, represented by 5 582 654 shares without nominal value, all of which give the same rights to holders.

After the buyback in 2013 of a further 276 492 shares under the authorization given by the Extraordinary General Meeting of 19 October 2012 (on 19 October 2012 the Extraordinary General meeting approved a new authorization to buy back, under certain conditions, up to 1 171 301 shares for cancellation), the delivery of 14 000 shares within the framework of the exercise of options and the cancellation by the Board of Directors on 18 December 2013 of 273 854 treasury shares, on 31 December 2013 Kinopolis held 300 523 treasury shares with a capital value of € 1 020 231. Under the above authorization by the Extraordinary General Meeting, at 31 December 2013 Kinopolis Group NV was authorized to buy back another 894 809 shares.

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

According to the provisions of the articles of association, eight 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 thirty-five per cent (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

The Company 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 to repay the nominal amount of all or a part of the bonds, under the conditions set forth in the Prospectus. This Prospectus can be consulted at the Kinopolis Investor Relations website.

Shareholders' structure and Received notifications

Based on the notifications received within the framework of Article 74 of the Public Acquisition Bids Act of 1 April 2007, from Kinopolis Group NV, Kinohold Bis SA, Stichting Administratiekantoor Kinohold, Marie-Suzanne Bert-Vereecke, Joost Bert, Koenraad Bert, Geert Bert and Peter Bert, 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, on subsequent transparency statements (within the meaning of the Act of 2 May 2007 and the Royal Decree of 14 February 2008 regarding the disclosure of major holdings) and statements within the meaning of the share buyback program, as of 31 December 2013:

- ★ Kinohold Bis SA held 2 540 010 shares or 45.50% 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, controlled by Kinohold Bis sa, held 300 523 shares or 5.38% of the shares of the Company;
- ★ Mr. Joost Bert, who acts in close consultation with Kinohold Bis SA, held 41 600 shares or 0.75% of the shares of the Company.

SHAREHOLDERS' STRUCTURE at 31 December 2013

| SHAREHOLDER | NUMBER OF SHARES | % |
|--|------------------|------------|
| Kinohold BIS | 2 540 010 | 45.50 |
| Mr. Joost Bert | 41 600 | 0.75 |
| Kinepolis Group NV | 300 523 | 5.38 |
| Free Float, of which: | 2 700 521 | 48.37 |
| - Axa SA | 304 711 | 5.45 |
| - BNP Paribas Investment Partners ⁽¹⁾ | 194 659 | 3.49 |
| - Schroders Plc ⁽²⁾ | 169 496 | 3.04 |
| TOTAL | 5 582 654 | 100 |

(1) This shareholding was 5.04% on the date of the annual report, as resulting from a transparency notification of 7 January 2014.

(2) This participation was less than 3% on the date of the annual report, as resulting from a transparency declaration of 18 February 2014.

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 were to be deemed independent of the majority shareholders and management. These directors fulfill 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 of its committees, in light of ongoing and future developments and expectations, as well as its strategic objectives. In the coming years the Board will give attention to the appropriate complementarity and diversity among its members, including gender and age diversity, and ensure a balance between rejuvenation and continuity in order that the acquired knowledge and history can be passed on efficiently. The Board of Directors will also work to bring its composition into line with the requirements in 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 President assisted by the Senior Legal Advisor, 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 nine meetings that took place in 2013.

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

- ★ Review of the monthly revenues and financial results together with the forecasts;
- ★ Evolution in the customer and personnel satisfaction index;
- ★ Progress reports on ongoing cinema and real estate projects; Discussion and decision on new cinema and real estate projects;
- ★ Up-to-date treasury situation and cash flow forecast.

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

- ★ Discussion and establishment of the profit plan for the following fiscal year;
- ★ Determination of the short-term and long-term strategy;
- ★ The start of the share buyback programs within the framework of the optimization of the capital structure and the cancelation of treasury shares;
- ★ 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;
- ★ Restructuring of the ICT architecture;
- ★ The primary risks the Company can be exposed to and the measures to control them.

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 2014. Additional meetings may be held if needed.



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. This committee comprises the following non-executive directors, the majority of whom are 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);
- ★ MarcVH Consult bvba, whose permanent representative is Mr. Marc Van Heddeghem (former Managing Director of Redevco Belgium);
- ★ Gobes Comm. V., whose permanent representative is Mr. Rafaël Decaluwé (former CEO of Bekaert NV).

The Chief Executive Officers may attend the meetings of the Nomination and Remuneration Committee (NRC) by invitation.

The NRC met two times in 2013 in the presence of all members and mainly dealt with the following:

- ★ Evaluation of the 2012 management targets for Executive Management and establishment of the variable remuneration for the fiscal year 2012;
- ★ Adjustment of the remuneration package for Executive Management;
- ★ Qualitative and quantitative management targets with regard to the fiscal year 2013 for Executive Management and the corresponding variable remuneration and outperformance bonus;

- ★ Adjustment of the remuneration for the Chairman of the Board of Directors;
- ★ Composition of the Board of Directors;
- ★ Evaluation of the functioning of the Board of Directors and its committees;
- ★ Preparation of the Remuneration Report.

Composition and activities report of the Audit Committee

Pursuant to Article 526 bis of the Companies Code, 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:

- ★ Management Center Molenberg bvba, whose permanent representative is Mr. Geert Vanderstappen, who combines five years' experience as Corporate Officer at Generale Bank's Corporate & Investment Banking with seven years' operational experience as CFO at Spector Photo Group and is now Managing Partner at Pentahold;
- ★ Gobes Comm. V, whose permanent representative is Mr. Rafaël Decaluwé, who 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.

DIRECTORS AS PER 31 DECEMBER 2013

| NAME | POSITION | TERM ENDS | OTHER POSITIONS AT LISTED COMPANIES | ATTENDANCE RECORD (9 MEETINGS) |
|--|----------------------|-----------|-------------------------------------|--------------------------------|
| Mr. Philip Ghekiere ⁽¹⁾⁽²⁾ | Chairman | 2016 | / | All 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 | All meetings |
| Mr. Marc Van Heddeghem ⁽¹⁾⁽³⁾ | Independent Director | 2013 | Befimmo NV: Director | 3 meetings |
| Mr. Marc Van Heddeghem, permanent representative of MarcVH Consult bvba ⁽¹⁾ | Independent Director | 2015 | Befimmo NV: Director | 5 meetings |
| Mrs. Marion Debruyne, permanent representative of Marion Debruyne bvba ⁽¹⁾ | Independent Director | 2015 | Recticel NV: Director | All meetings |
| Mr. Rafaël Decaluwé, permanent representative van Gobes Comm. V. ⁽¹⁾ | Independent Director | 2015 | Jensen Group NV: President | 8 meetings |

⁽¹⁾ Non-executive director

⁽²⁾ Represent the majority shareholders

⁽³⁾ Directorship ended on 17 May 2013



From the left: Raf Decaluwé, Eddy Duquenne, Philip Ghekiere, Joost Bert, Geert Vanderstappen, Marc Van Heddeghem and Marion De Bruyne

In 2013 the Audit Committee met four times, 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 2013 risk management action plan;
- ★ Discussion of the risk survey 2013;
- ★ Evaluation of the effectiveness of the external audit process;
- ★ Evaluation of the functioning of the internal and external auditor and establishment of the method and frequency of this evaluation;
- ★ Monitoring of the financial reporting and its compliance with the applicable reporting standards;
- ★ Proposal to reappoint the statutory auditor.

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 evaluation process is initiated by the Chairman of the Board of Directors on the basis of a written procedure, the results of which are

analyzed and discussed at the NRC 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 2013 the Nomination and Remuneration Committee restricted itself to a concise evaluation of the functioning and composition of the Board and its committees. Another thorough evaluation will be conducted in 2014.



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 occur 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 Chief Financial Officer 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 provides 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 a attendance of a minimum number of meetings of the Board of Directors they attend;

- ★ 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 president of the Audit Committee and of the Nomination and Remuneration Committee;
- ★ The Chairman of the Board of Directors and the Chief Executive Officers are allocated a fixed annual amount for participating in the meetings of the Board of Directors;
- ★ 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 NRC. 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 outperformance 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/or the use of a company car;
- ★ The Company's formal right to claim back variable remuneration and outperformance 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 twelve months' basic and variable remuneration. A higher compensation may be granted in specific justifiable circumstances, on the recommendation of the NRC and with the prior approval of the General Meeting, but may never exceed eighteen months' basic and variable remuneration. In any event, the exit compensation may not exceed twelve (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 determined by the General Meeting following a proposal from the Board of Directors (on the basis of the recommendation by the NRC), 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 apportionment of the overall portfolio to the individual members is a decision of the Board of Directors on the recommendation of the NRC, based on their actual attendance at the various meetings of the Board of Directors and its committees.

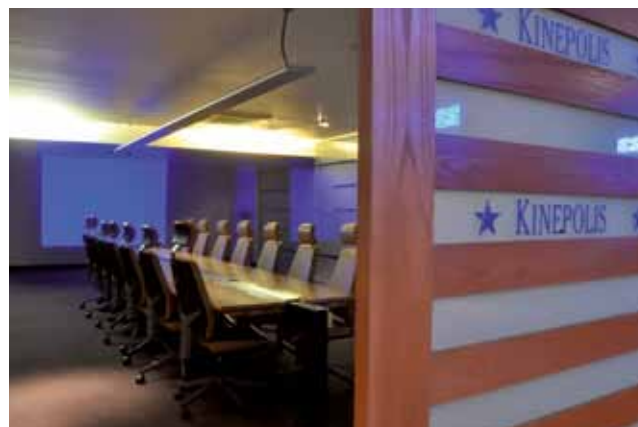
The above-mentioned amounts, set in 2011 and adjusted in 2013, are based on benchmarking using surveys conducted by independent third parties with regard to listed and other companies and resulted in the following remunerations.

- ★ € 87 250 as fixed remuneration for the chairmanship of the Board of Directors;
- ★ € 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 and of the Nomination and remuneration Committee.

The Board of Directors determines the remuneration as well as the remuneration policy of Executive Management based on the proposal of the NRC, 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, as well as the level of these targets, are proposed annually by the NRC 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 NRC. 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 17 May 2013 the General Meeting approved the proposal to base the integral annual variable remuneration of the CEOs for the fiscal years 2014 till 2016 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.



Business-to-business (B2B) space, Kinopolis Brussels (B)

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 as shown in the following table. 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 € 21 850 (including taxes) is paid by the Company.

| NAME | TITLE | REMUNERATION 2013 (IN €) |
|--|---|-----------------------------|
| BOARD OF DIRECTORS AS AT 31 DECEMBER 2013 | | |
| Philip Ghekiere | Chairman of the Board of Directors and of the Nomination and Remuneration Committee | 97 000 |
| Eddy Duquenne | CEO | 30 000 |
| Joost Bert | CEO | 30 000 |
| Geert Vanderstappen (Management Center Molenberg bvba) | Independent Director | 48 250 |
| Marc Van Heddeghem (MarcVH Consult bvba) | Independent Director | 38 500 |
| Marion Debruyne (Marion Debruyne bvba) | Independent Director | 32 500 |
| Rafael Decaluwé (Gobes Comm. V) | Independent Director | 50 500 |
| TOTAL | | 326 750 |





Application of the remuneration policy on the members of Executive Management

Bearing in mind benchmark data, the duties, responsibilities and management targets, in 2013 the remuneration in the remuneration package for Executive Management for the fiscal years 2013-2014, established by the Board of Directors on the proposal of the Nomination and Remuneration Committee by which the remuneration method used earlier is retained but after thorough benchmarking with comparable listed companies based on an external survey and bearing in mind the sustainable improvements in results and value creation was adjusted as follows:

| | |
|----------------------------------|-----------|
| ★ bvba Eddy Duquenne: | |
| - fixed remuneration: | € 385 000 |
| - maximum variable remuneration: | € 295 000 |
| - maximum outperformance bonus: | € 165 000 |
| - monthly fixed expenses: | € 750 |
| ★ Mr. Joost Bert: | |
| - fixed remuneration: | € 300 000 |
| - maximum variable remuneration: | € 215 000 |
| - maximum outperformance bonus: | € 75 000 |

The amount of the variable remuneration ultimately granted to Executive Management depends on the fulfilment in 2013 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 NRC, has the discretionary power to allocate an outperformance bonus, the annual amount of which is set by the Board of Directors.

The above-mentioned remunerations and outperformance bonuses will be paid out in early 2014 if the 2013 targets are attained.

In the fiscal year 2013, given the fulfilment in 2012 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 NRC, the variable remuneration was paid out in full to the members of Executive Management in a total amount of € 480 000. An outperformance bonus of € 225 000 was also paid out, because the quantitative targets were substantially exceeded in 2012.

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.

69 308 options were granted to the Chairman⁽¹⁾ and each of the CEOs in 2008. In 2009 management staff were granted 30 000 options, in 2010 15 000 and in 2011 47 500. In 2012 no options were granted, but 7 800 options forfeited that were not yet permanently acquired. No options were granted in 2013 either, but 9 375 options forfeited that were not yet permanently acquired and 14 000 options were exercised. At 31 December 2013, 269 249 granted options were still outstanding.

Given that the granting of the share options is not based on individual or company performance, they are not considered to be part of the variable remuneration as defined in the Companies Code.

A further description of the characteristics of these options is provided in point 20 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, as paid out in 2013:

| NAME | REMUNERATION | AMOUNTS (EXCL. VAT) (IN €) |
|--------------------|--------------------------------------|----------------------------|
| CEO | | |
| Eddy Duquenne bvba | Fixed remuneration ⁽¹⁾ | 385 000 |
| | Variable remuneration ⁽²⁾ | 265 000 |
| | Outperformance bonus ⁽²⁾ | 150 000 |
| | Car allowance ⁽⁴⁾ | 39 666 |
| | Expense allowance | 9 000 |
| | TOTAL | 848 666 |
| Joost Bert | Fixed remuneration ⁽¹⁾ | 300 000 |
| | Variable remuneration ⁽²⁾ | 215 000 |
| | Outperformance bonus ⁽²⁾ | 75 000 |
| | Pension scheme ⁽³⁾ | 10 318 |
| | Car allowance ⁽⁴⁾ | 34 152 |
| | TOTAL | 634 470 |

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

(2) Received in 2013 for performances in 2012

(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 2014-2015

As of today, the implementation of fundamental policy adjustments is not provided for in the next two years.



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

Kinepolis Group 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 encourages and endeavours to enforce such behaviour by means of preventive measures (e.g. work regulations, various policies and procedures)

and detection measures (e.g. reporting procedure, 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 endeavors to standardize the process as much as possible. This is achieved by organizing corporate ERM trainings, 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 Kinopolis 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, Kinopolis 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 2013 this again 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 Kinopolis 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 (in random order) therefore contains only some of the risks to which Kinopolis is exposed.



Availability and quality of supplied material

Bearing in mind that Kinopolis 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. Kinopolis Group NV endeavors 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 Kinopolis 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. Kinopolis largely accepts this risk, considering that the costs of a financial hedging policy would exceed the revenue from it, but endeavors to mitigate the consequences among other things by variabilizing its cost structure to a maximum degree.

Competition

Kinopolis Group's position as a cinema operator is subject to competition just like every other product or service for which substitution exists. Kinopolis Group's position is impacted by increasing competition from other leisure activities, such as concerts and sporting events, which can influence the behaviour of Kinopolis customers. This competition also 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 films 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. Kinopolis is working actively with distributors to agree measures to counter any increasing illegal sharing of material online.

Kinopolis 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 Kinopolis Group NV is active and that can impact consumer behaviour and the production of new movies, can have a negative impact on Kinopolis Group's operating profits. Kinopolis endeavors 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 arising from growth opportunities

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

Political, regulatory and competition risks

Kinopolis Group strives to operate within the legal framework at all times. However, additional or amended legislation, including tax laws, could restrict Kinopolis' growth and 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 requirement for a prior approval of plans to build new cinema complexes or acquire existing cinema complexes in Belgium if these do not entail the run-down of existing complexes.

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 abovementioned measures to control political and regulatory risks, Kinopolis will take appropriate measures to prevent environmental damage and limit property risks.

Other risks

As well as the above business risks, Kinopolis Group can also be exposed to a number of operating and other risks, such as the following two, which were settled during 2013:

- ★ After the cancellation on 30 September 2008 of the planning permit for the Kinopolis multiplex in Ostend (B), a new planning permit was issued in 2013;
- ★ The proceedings instigated by Tentoonstellingspark van Brussel (TPB), operator of Brussels Expo, in 2011 to end the operating agreement with regard to the Kinopolis megaplex at the Heysel site in Brussels (B) were won and subsequently amicably settled in the second half of 2013.

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 2013 the Group's net financial debt was € 88.1 million. Kinopolis has concluded interest rate swap agreements to manage the risk associated with interest fluctuations. The nominal amount of these interest hedges was € 5,0 million at 31 December 2013.

Forward foreign exchange contracts were entered into for a nominal amount of \$ 1.8 million to hedge exchange rate risks resulting from the purchase and guarantee obligations.

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

Kinopolis 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 Stipulations 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 abovementioned persons with the interests of the Company by allowing them to participate in future value creation and to enable the Company to offer a competitive remuneration package and as such to be able to hire, remunerate and retain 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 director to be re-appointed were not stipulated in the convening notices to the General Shareholders' Meeting of 17 May 2013, 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, Kinepolis 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 three decisions on 19 February 2013 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 fulfillment in fiscal year 2012 of the quantitative and qualitative management targets, as well as the overall granting of an outperformance 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 2013;
- ★ The adjustment of the remuneration of the chairman of the Board of Directors to € 87 250 for the chairmanship of the Board of Directors, € 3 750 for the chairmanship of the Nomination and Remuneration Committee plus € 3 000 for attendance of each meeting of the committee in question.

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 € 16 847 283 for fiscal year 2013 to be divided among the shares entitled to dividend will be proposed, taking account of a payout ratio of 45% 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 2 June 2014 (ex-date: 28 May 2014; record date: 30 May 2014) upon presentation of coupon No. 15.



Statement on the true and fair view of the consolidated financial statements and the fair overview of the annual report

Undersigned certify that, to their knowledge,

- ★ the consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the equity, financial position and financial performance of the company, and the entities included in the consolidation as a whole;
- ★ the management report on the consolidated financial statements includes a fair overview of the development and performance of the business and the position of the company, and the entities included in the consolidation, together with a description of the principal risks and uncertainties which they are exposed to.



Eddy Duquenne
CEO



Joost Bert
CEO



Eddy Duquenne and Joost Bert





04

SHARE INFORMATION



Kinepolis Group share



Kinepolis Ghent (B)

| NUMBER OF SHARES | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| Number of shares at 31 December | 6 930 778 | 6 930 778 | 6 930 778 | 6 581 355 | 5 856 508 | 5 582 654 |
| Weighted average number of ordinary shares ¹ | 6 819 329 | 6 655 040 | 6 653 547 | 6 550 294 | 5 800 963 | 5 431 812 |
| Weighted average number of diluted shares ² | 6 819 329 | 6 658 679 | 6 738 645 | 6 660 484 | 5 966 251 | 5 628 307 |

| SHARE TRADING | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| Closing price at 31 December (in €) | 16.45 | 29.40 | 50.99 | 55.16 | 81.99 | 115.1 |
| Market value at closing price (in '000 €) | 114 011 | 203 765 | 353 400 | 363 028 | 480 175 | 642 563 |
| Lowest price of the year (in €) | 16.20 | 14.20 | 28.50 | 44.5 | 54.2 | 79.9 |
| Highest price of the year (in €) | 34.50 | 31.03 | 52.45 | 59.95 | 83.61 | 117.3 |
| Traded year volume | 1 618 734 | 2 929 380 | 4 066 070 | 2 719 592 | 2 174 524 | 1 366 053 |
| Average traded day volume | 5 907 | 11 552 | 15 977 | 10 582 | 8 494 | 5 357 |



(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 must be issued under the existing share option plans x dilution effect of the share option plans

SHARE PRICE AND VOLUME OVER LAST TEN YEARS



The Kinepolis Group share (ISIN: BE0003722361 / mnemo: KIN) has been listed since 9 April 1998 on **NYSE Euronext Brussels**, under compartment B, Mid Caps and is 14th on the VLAM21 index list.

Since 28 September 2012 the Kinepolis 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.



KIN
LISTED
NYSE
EURONEXT





05

FINANCIAL REPORT



Consolidated income statement

at 31 December

| IN '000 € | NOTE | 2012 | 2013 |
|--------------------------------|------|---------------|---------------|
| Revenue | 3 | 254 505 | 245 980 |
| Cost of sales | | -172 284 | -163 869 |
| Gross profit | | 82 221 | 82 111 |
| Marketing and selling expenses | | -16 175 | -15 240 |
| Administrative expenses | | -15 098 | -13 638 |
| Other operating income | 4 | 1 271 | 2 681 |
| Other operating expenses | 4 | -546 | -845 |
| Operating profit | | 51 673 | 55 069 |
| Finance income | 7 | 1 530 | 1 206 |
| Finance expenses | 7 | -7 389 | -7 204 |
| Profit before tax | | 45 814 | 49 071 |
| Income tax expense | 8 | -10 110 | -11 530 |
| Profit for the period | | 35 704 | 37 541 |
| Attributable to: | | | |
| Owners of the Company | | 35 704 | 37 541 |
| Non-controlling interests | | | |
| Profit for the period | | 35 704 | 37 541 |
| Basic earnings per share (€) | 19 | 6.15 | 6.91 |
| Diluted earnings per share (€) | 19 | 5.98 | 6.67 |

Consolidated statement of profit or loss and other comprehensive income

at 31 December

| IN '000 € | NOTE | 2012 | 2013 |
|--|------|---------------|---------------|
| Profit for the period | | 35 704 | 37 541 |
| Items that are or may be reclassified to profit or loss: | | | |
| Translation differences | | 831 | -393 |
| Cash flow hedges – effective portion of changes in fair value | | 264 | 84 |
| Cash flow hedges – net change in the fair value reclassified to profit or loss | | 431 | 480 |
| Taxes on other comprehensive income | | 215 | -194 |
| Other comprehensive income for the period, net of tax | | 1 741 | -23 |
| Total comprehensive income for the period | | 37 445 | 37 518 |
| Attributable to: | | | |
| Owners of the Company | | 37 445 | 37 518 |
| Non-controlling interests | | | |
| Total comprehensive income for the period | | 37 445 | 37 518 |

The notes on page 48-89 are fully part of these consolidated financial statements.

Consolidated statement of financial position

at 31 December

ASSETS

| IN '000 € | NOTE | 2012 | 2013 |
|------------------------------------|------|----------------|----------------|
| Other intangible assets | 9 | 3 315 | 3 016 |
| Goodwill | 10 | 18 761 | 18 761 |
| Property, plant and equipment | 11 | 214 426 | 206 871 |
| Investment property | 12 | 11 449 | 12 056 |
| Deferred tax assets | 13 | 746 | 1 113 |
| Other receivables | 15 | 13 144 | 13 395 |
| Other financial assets | | 27 | 27 |
| Non-current assets | | 261 868 | 255 239 |
| Inventories | 14 | 3 249 | 3 359 |
| Trade and other receivables | 15 | 23 298 | 25 176 |
| Current tax assets | | 1 656 | 523 |
| Cash and cash equivalents | 16 | 28 827 | 19 293 |
| Assets classified as held for sale | 17 | 8 673 | 6 721 |
| Current assets | | 65 703 | 55 072 |
| TOTAL ASSETS | | 327 571 | 310 311 |

EQUITY AND LIABILITIES

| IN '000 € | NOTE | 2012 | 2013 |
|---|------|----------------|----------------|
| Share capital | 18 | 18 952 | 18 952 |
| Share premium | 18 | 1 154 | 1 154 |
| Consolidated reserves | | 89 750 | 86 132 |
| Translation reserve | | -1 188 | -1 581 |
| Total equity attributable to owners of the Company | | 108 668 | 104 657 |
| Non-controlling interests | | | |
| Equity | | 108 668 | 104 657 |
| Loans and borrowings | 21 | 81 709 | 87 917 |
| Provisions | 22 | 3 776 | 3 016 |
| Deferred tax liabilities | 13 | 17 415 | 17 509 |
| Derivative financial instruments | 24 | 144 | |
| Other payables | 25 | 8 624 | 8 104 |
| Non-current liabilities | | 111 668 | 116 546 |
| Bank overdrafts | 16 | 42 | 581 |
| Loans and borrowings | 21 | 37 689 | 19 332 |
| Trade and other payables | 23 | 64 325 | 62 383 |
| Provisions | 22 | 275 | 715 |
| Derivative financial instruments | 24 | 490 | 60 |
| Current tax liabilities | | 4 414 | 6 037 |
| Current liabilities | | 107 235 | 89 108 |
| TOTAL EQUITY AND LIABILITIES | | 327 571 | 310 311 |

The notes on page 48-89 are fully part of these consolidated financial statements.



Consolidated statement of cash flows

at 31 December

| IN '000 € | NOTE | 2012 | 2013 |
|--|--------|----------------|----------------|
| Profit before tax | | 45 814 | 49 071 |
| Adjustment for: | | | |
| Depreciation and amortization | 6 | 19 971 | 20 005 |
| Provisions and impairments | | 607 | -68 |
| Government grants | 4 | -753 | -664 |
| (Gains) Losses on sale of fixed assets | 4 | -6 | -909 |
| Change in fair value of derivative financial instruments and unrealized foreign exchange results | | -223 | -9 |
| Unwinding of non-current receivables | 7, 22 | -764 | -731 |
| Share-based payments | 5 | 475 | 181 |
| Impairment on tax shelter investments | 7 | 553 | 539 |
| Amortization of transaction costs refinancing | | 174 | 209 |
| Interest expenses and income | 7 | 4 962 | 4 851 |
| Change in inventory | | -224 | -193 |
| Change in trade and other receivables | | 5 295 | -2 130 |
| Change in trade and other payables | | -1 819 | -1 980 |
| Cash from operating activities | | 74 062 | 68 172 |
| Income taxes paid | | -9 575 | -9 239 |
| Net cash from operating activities | | 64 487 | 58 933 |
| Acquisition of other intangible assets | 9 | -1 011 | -951 |
| Acquisition of property, plant and equipment and investment property | 11, 12 | -11 743 | -11 086 |
| Proceeds from sale of property, plant and equipment | | 17 | 1 851 |
| Net cash used in investing activities | | -12 737 | -10 186 |
| Capital reduction | | -93 | -8 |
| Acquisition of non-controlling interests | 10 | -4 740 | |
| New loans | | 214 419 | 102 641 |
| Repayment of borrowings | | -188 461 | -114 998 |
| Payment of transaction costs refinancing | | -1 130 | |
| Interest paid | | -2 133 | -4 873 |
| Interest received | | 36 | 21 |
| Repurchase and sale of own shares | | -47 876 | -28 459 |
| Dividends paid | | -10 562 | -13 096 |
| Net cash used in financing activities | | -40 540 | -58 772 |
| Net cash flow | | 11 210 | -10 025 |
| Cash and cash equivalents at beginning of the period | 16 | 17 544 | 28 785 |
| Cash and cash equivalents at end of the period | 16 | 28 785 | 18 712 |
| Effect of exchange rate fluctuations on cash held | | 31 | -48 |
| Net cash flow | | 11 210 | -10 025 |

The notes on page 48-89 are fully part of these consolidated financial statements.

Consolidated statement of changes in equity

at 31 December

| IN '000 € | | | | | | | | 2013 |
|--|---------------------------------------|---------------------|-----------------|-------------------------|------------------------------|-------------------|----------------------------|----------------|
| | ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | | | | NON-CONTROL-LING INTERESTS | EQUITY |
| | SHARE CAPITAL AND SHARE PREMIUM | TRANSLATION RESERVE | HEDGING RESERVE | TREASURY SHARES RESERVE | SHARE-BASED PAYMENTS RESERVE | RETAINED EARNINGS | | |
| At 31 December 2012 | 20 106 | -1 188 | -409 | -8 876 | 2 493 | 96 542 | | 108 668 |
| Profit for the period | | | | | | 37 541 | | 37 541 |
| Items that are or may be reclassified to profit or loss: | | | | | | | | |
| Translation differences | | -393 | | | | | | -393 |
| Cash flow hedges – effective portion of changes in fair value | | | 84 | | | | | 84 |
| Cash flow hedges – net change in the fair value reclassified to profit or loss | | | 480 | | | | | 480 |
| Taxes on other comprehensive income | | | -194 | | | | | -194 |
| Other comprehensive income for the period, net of tax | | -393 | 370 | | | | | -23 |
| Total comprehensive income for the period | | -393 | 370 | | | 37 541 | | 37 518 |
| Dividends | | | | | | -13 085 | | -13 085 |
| Own shares acquired / sold | | | | -28 478 | | -146 | | -28 624 |
| Cancellation of treasury shares | | | | 28 538 | | -28 538 | | |
| Share-based payment transactions | | | | | 104 | 77 | | 181 |
| Total transactions with owners, recorded directly in equity | | | | 60 | 104 | -41 692 | | -41 528 |
| Acquisition of non-controlling interests without change of control | | | | | | | | |
| AT 31 DECEMBER 2013 | 20 106 | -1 581 | -39 | -8 816 | 2 597 | 92 390 | | 104 657 |

| IN '000 € | | | | | | | | 2012 |
|--|---------------------------------------|---------------------|-----------------|-------------------------|------------------------------|-------------------|----------------------------|----------------|
| | ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | | | | NON-CONTROL-LING INTERESTS | EQUITY |
| | SHARE CAPITAL AND SHARE PREMIUM | TRANSLATION RESERVE | HEDGING RESERVE | TREASURY SHARES RESERVE | 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 |
| Items that are or may be reclassified to profit or loss: | | | | | | | | |
| Translation differences | | 831 | | | | | | 831 |
| Cash flow hedges – effective portion of changes in fair value | | | 264 | | | | | 264 |
| Cash flow hedges – net change in the fair value reclassified to profit or loss | | | 431 | | | | | 431 |
| 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 / sold | | | | -47 876 | | | | -47 876 |
| Cancellation of treasury shares | | | | 48 489 | | -48 489 | | |
| Share-based payment transactions | | | | | 475 | | | 475 |
| Total transactions with owners, recorded directly in equity | | | | 613 | 475 | -59 067 | | -57 979 |
| Acquisition of non-controlling interests without change of control | | | | | | -2 925 | -1 815 | -4 740 |
| AT 31 DECEMBER 2012 | 20 106 | -1 188 | -409 | -8 876 | 2 493 | 96 542 | | 108 668 |

The notes on page 48-89 are fully part of these consolidated financial statements.



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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 2013 include the Company and its subsidiaries (together the 'Group') and the Group's interest in equity accounted investees. On 21 March 2014 these consolidated financial statements were approved for publication by the Board of Directors.

Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board (IASB) and adopted by the European Union until 31 December 2013. 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 Euro, 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 measured, in accordance with IFRS 5, at the lower of their carrying amount and fair value less costs to sell.

The accounting policies have been applied consistently across the Group and are consistent with those applied in the previous financial period, except as follows.

The method used to calculate the segment and inter-segment revenue has been refined. The comparative figures per segment for 2012 have been adjusted. This had no impact on the total segment and inter-segment revenue for that period.

The method used to allocate the deferred tax assets and liabilities to the various items of the statement of financial position has been refined. The comparative figures for 2012 have been adjusted. This had no impact on the total deferred tax assets and liabilities.

The disclosure relating to the operating leases as lessee has been extended. Besides the lease of the complex in Valencia (Spain), the other operating leases, such as ground leases, the lease of car parks, office buildings and cars, in which the Group act as lessee, are also included.

The Group has applied the following new standards and amendments to existing standards commencing 1 January 2013.

- ★ Amendment to IFRS 7 Offsetting Financial Assets and Financial Liabilities

- ★ IFRS 10 Consolidated Financial Statements (2011)
- ★ IFRS 11 Joint Arrangements
- ★ IFRS 12 Disclosure of Interests in Other Entities
- ★ Consolidated Financial Statements, Joint Arrangements, Disclosure of Interests in Other Entities: Transition Guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)
- ★ IFRS 13 Fair Value Measurement
- ★ IAS 19 Employee Benefits (2011)
- ★ IAS 28 Investments in Associates and Joint Ventures (2011)
- ★ Amendments to IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
- ★ Amendments to IFRS (2009-2011)

The nature and consequences of the amendments are explained below.

Subsidiaries

As a consequence of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over an investee and whether it consequently needs to consolidate this investee. IFRS 10 (2011) introduces a new control model that focuses on having power or not over an investee, exposure or rights to the variable returns from the involvement in the investee and the ability of using its power to affect these returns.

In accordance with the transactional provisions in IFRS 10 (2011), the Group has again evaluated the control over its investments. This did not result in changed control decisions.

Disclosure of Interests in Other Entities

IFRS 12 consolidates the disclosure requirements with regard to subsidiaries, joint agreements and equity accounted investees. This new standard did not result in additional disclosures.

Fair Value Measurement

IFRS 13 defines a single framework for measuring fair value and the required disclosures in this regard when such measurements are required or permitted by other standards. In particular, one definition of fair value is established, being the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This change had no impact on the measurement of the assets and liabilities of the Group. This standard replaces and expands the disclosure requirements with regard to fair value measurement in other IFRSs, including IFRS 7. The Group has adapted its disclosures to fulfil these requirements.

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 amount 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 estimates are 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 (see related accounting policies);
- ★ Assessing the necessity of and estimating impairment losses on intangible assets (including goodwill) and property, plant and equipment;
- ★ Determining impairments on inventories;
- ★ Recording and calculating provisions;
- ★ Assessing the degree to which losses carried forward will be used in the future;
- ★ Classifying leases (see note 25);
- ★ Prospectively evaluating the effectiveness of cash flow hedges.

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 period are stated below.

Recoverability of deferred tax assets

Deferred tax assets for unused tax losses will only be recognized if sufficient 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. We refer to note 13 for the relevant assumptions.

Impairment tests for intangible assets (including goodwill) and property, plant and equipment

The recoverable amount of the cash generating units is defined as the higher of their value in use or their fair value less costs to sell. 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. We refer to note 10 for the relevant assumptions.

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 outflow of resources. They are based on the most recent available information at the balance sheet date. We refer to note 22 for the relevant assumptions.

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. By control is understood that the Company is exposed to or has right to variable returns from its involvement in the investee, and has the ability to affect these returns through its power over the investee.

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 the loss of control, after which it will be recognized as an equity accounted investee 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 or joint control, over the financial and operational policies. Significant influence is deemed to exist where the Group holds between 20 and 50 percent of the voting rights of another entity. Participating interests in equity accounted investees are recorded using the equity method and are initially recognized at cost including transaction costs. The consolidated financial statements include the Group's share in the comprehensive income of the investments, 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 amount of the investments in equity accounted investees, the carrying amount 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 investees. When there are impairment indicators, the accounting policy concerning impairment losses is applied.

Acquisition of non-controlling interests

The acquisition of non-controlling interests in a subsidiary does not lead to the recognition of goodwill, as 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.

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, with the exception of exchange rate differences with regard to equity instruments available for sale. 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.

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 expenses of foreign entities are translated to Euro at exchange rates approaching the exchange rates prevailing on the transaction dates.

Exchange rate differences arising from translation are recognized immediately in equity.

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 other comprehensive income under the translation reserve.

Financial instruments

Issued loans, receivables and deposits, issued debt instruments and loans received are initially recognized by the Group on the date they originated. All other financial assets and liabilities are initially recognized on the transaction date. The transaction date is the date on which the contractual provisions of the instrument become binding for the Group.

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 measured as described below.

Cash and cash equivalents

Cash and cash equivalents comprise the cash and deposits withdrawable on demand with a remaining 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 statement.

Financial assets available for sale – Investments in equity securities

Investments in equity securities consist of participating interests in entities 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 amount 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.

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 attributable 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.

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.

Derivative financial instruments

The Group uses derivative financial instruments to manage the foreign currency and interest rate 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 measured at fair value. Attributable transaction costs are expensed in the income statement as incurred. Subsequent to initial recognition these instru-



ments are measured at fair value. The accounting treatment of the resulting profits or losses depends on the nature of the derivative financial instruments.

The fair value of derivative financial instruments is the estimated amount that the Group will obtain or pay on the balance sheet date to end 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.

At initial designation of a derivative financial instrument as a hedging instrument the Group formally documents the relationship between hedging instrument and hedged item, including its risk management goals and strategy when entering the hedging transaction, the risk to be hedged and the methods used to assess the effectiveness of the hedge relationship. When entering the hedge relationship and subsequently, the Group assesses whether during the period for which the hedge is designated, the hedging instruments are expected to be 'highly effective', in offsetting the changes in fair value or cash flows allocated to the hedged positions and whether the actual results of each hedge are within the range of 80 to 125 percent. A cash flow hedge of an expected transaction requires that it is highly likely that the transaction will occur and that this transaction results in exposure to the variability of cash flows such that this can ultimately impact the reported profit or loss.

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 hedged transaction is no longer likely, 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 price 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 plant, property and equipment items.

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

Leased assets

Leases that transfer to the Group nearly all the risks and rewards of ownership of an asset are classified 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. Leased assets are depreciated over the term of the lease or the useful life, whichever is shorter, except if it is reasonably certain that the Group will assume ownership of the leased assets at the end of the lease term. The Group has no leases under which lease payments are owed depending on future events.

Subsequent expenditure

The cost of replacing part of a property, plant and equipment is capitalized whenever it is probable that the future economic benefits relating to the assets will flow to the Group and the cost of the assets can be measured reliably. The cost of daily maintenance of property, plant and equipment is expensed in the income statement as 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 use. 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, for delivery of goods or for administrative purposes.

Investment property is measured at cost, less cumulative depreciation and impairments. The accounting policies for property, plant and equipment apply.

Rental income from investment property is accounted for as described below in the accounting policy for 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 from 2010. Goodwill from an acquisition is the positive difference between the fair value of the consideration transferred plus the carrying amount of any non-controlling interest in the enterprise, or the share in the equity of the acquired entity in case of a step-acquisition, 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 measured at cost less impairment losses. In respect of equity accounted investees the carrying amount of the investment in the entity also includes the carrying amount of the goodwill. Goodwill is not amortized. Instead, it is subject to an annual impairment test.

Other intangible assets

Other intangible assets acquired by the Group are measured 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 intangible assets

Development activities entail a plan or design for the production of new or fundamentally improved products and processes. Internally developed intangible assets are 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 intangible assets includes all costs directly attributable to the asset.

Other development costs and expenditures for research activities 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 using the straight-line method over the expected useful life of the intangible assets. 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. The Group has no other intangible assets with indefinite useful life.

Inventories

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

Impairment

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. When there is an indication of impairment, the recoverable amount of the asset is estimated. In case of goodwill and intangible assets with an indefinite useful life or which are not yet ready for use, the recoverable amount is estimated at the same date each year. An impairment loss is recorded whenever the carrying amount of an asset, or the cash generating unit to which the asset belongs, is higher than the recoverable amount.

The recoverable amount is the higher of the value in use or the fair value less costs to sell. When determining the value in use, the discounted value of the estimated future cash flows is calculated using a proposed weighted average cost of capital, that reflects both the current market rate and the specific risks with regard to the asset or the cash generating unit. Where an asset does not generate significant cash flows by itself, the recoverable amount is determined based on the cash generating unit to which the asset belongs. Goodwill acquired in a business combination is allocated to groups of cash generating units that are expected to benefit from the synergies of the combination.

Impairment losses are charged to the income statement. Impairment losses recorded in respect of cash generating units are first deducted from the carrying amount of any goodwill assigned to cash generating units (or groups of units) and then proportionally from the carrying amount of the other assets of the unit (or group of units).



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 amount, but not in a higher amount than the net carrying amount that would have been determined if no impairment had been recorded in previous years. Goodwill impairments are not reversed.

Non-derivative financial assets

Financial assets that are not measured at fair value with recognition of changes in value in the income statement, including investments that are recognized using the equity method, are assessed at every balance sheet date to determine whether there are objective indications that they have been impaired. A financial asset is deemed to be impaired if there are objective indications that an event has occurred after the initial recognition of the assets that has had a negative impact on the expected future cash flows of that asset and for which a reliable estimate can be made.

Objective indications that financial assets are impaired include the non-fulfilment of payment obligations by and overdue payments of a debtor, restructuring of an amount owed to the Group under conditions that the Group otherwise would not have considered, indications that a debtor or issuer will go bankrupt, detrimental changes in the payment status of debtors or issuers, economic circumstances that go together with defaults and the disappearance of an active market for a given security. In addition, a significant or prolonged decline in the fair value of investments in equity instruments below cost is an objective indication of impairment. The Group judges that a decline of 20% can be considered to be significant and that a period of nine months can be considered to be prolonged.

Financial assets measured at amortized cost

Significant financial assets measured at amortized cost are tested individually for impairment. The other financial assets measured at amortized cost are classified in groups with comparable credit-risk characteristics and assessed collectively. When assessing whether there is a collective impairment the Group uses historical trends with regard to the likelihood that payment obligations will not be fulfilled, the time within which collection occurs and the level of the losses incurred. The outcomes are adjusted if management judges that the current economic and credit circumstances are such that it is likely that the actual losses will be higher or lower than the historical trends suggest.

An impairment loss with regard to a financial asset measured at amortized cost is calculated as the difference between the carrying amount and the present value of the expected future cash flows, discounted at the original effective interest rate of the asset. Current receivables are not discounted. Losses are recognized in the income statement.

If an event after the balance sheet date leads to a reduction of the impairment, this reduction is reversed through the income statement.

Financial assets available for sale

Impairments on financial assets available for sale are recognized by reclassifying the accumulated loss in the fair value reserve in equity to the income statement. The amount of the cumulative loss transferred from equity to the income statement is equal to the difference between the acquisition price, after deduction of any repayment of the principal

and amortization, and the current fair value, less any impairment loss that has already been included in the income statement. Changes in provisions for impairments attributable to the application of the effective interest rate method are recognized in interest income.

If the fair value of a financial asset available for sale increases in a subsequent period and the rise can be linked objectively to an event that occurred after the recognition of the impairment loss in the income statement, the impairment loss is reversed. However, if the fair value of an impaired equity instrument available for sale recovers in a subsequent period, the recovered amount is recognized in other comprehensive income.

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 amount or, if lower, fair value less cost 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 benefits 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.

Employee benefits

Short-term employee benefits

Short-term employment benefits 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 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 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 employee benefit expenses in the income statement in the periods during which related services are rendered by employees.

Share based payments and related benefits

The Share Option Plan enables Group employees to acquire shares of the Company. The option exercise price is equal to the average of the closing prices 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 valuation model. The amount expensed is determined based on the number of awards for which the service conditions in question are expected to be fulfilled.

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 times those options are allocated. This can occur by means of several purchases. These shares will be charged to equity on the transaction date for the consideration 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 option exercise price and the average price of the shares in question is recognized directly in equity.

Termination benefits

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

Termination benefits for voluntary redundancy will be recognized as expense if the Group has made a voluntary redundancy offer, if it is probable that this 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 when 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 regarded as accrued income in the statement of financial position and initially measured at fair value whenever reasonable certainty exists that they will be received and that the Group will fulfil 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.

Finance income

Finance income comprises interest received on investments, dividends, foreign exchange gains, the unwinding of receivables with regard to government grants and the profits on hedging instruments that are recognized in the income statement.

Interest income is recognized in the income statement pro rata temporis. Dividend income is included in the income statement on the date that the dividend is declared.

Foreign exchange gains and losses are compensated per currency.

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 expenses

The finance expenses comprise interest to be paid on loans, foreign exchange losses, impairments with regard to tax shelter investments and losses on hedging instruments that are recognized in the income statement.



The rent component of payments on finance leases is taken into the income statement.

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

Foreign exchange gains and losses are compensated per currency.

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 as well.

Current tax consists of the expected tax payable on the taxable profit of the year, calculated using tax rates enacted or substantively enacted at the balance sheet date, as well as tax adjustments in respect of prior years.

The current tax receivables and liabilities are offset per tax jurisdiction in so far as there is a de jure enforceable right to balance the amounts recognized and an intention to settle the liability on a net basis or to realize the receivable at the same time as the liability is settled.

Deferred tax is recorded based on the balance sheet method, for all temporary differences between the taxable base and the carrying amount for financial reporting purposes, for both assets and liabilities. No deferred tax is 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 amount 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 balance sheet 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.

The deferred tax receivables and liabilities are offset per tax jurisdiction in so far as there is a de jure enforceable right to balance the amounts recognized and an intention to settle the liability on a net basis or to realize the receivable at the same time as the liability is settled.

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 revenue and incur expenses, including revenue and expenses in rela-

tion 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 amount 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.

New standards and interpretations not yet adopted

A number of new standards, amendments and interpretations were not yet effective in 2013 and have therefore not been applied to the present consolidated financial statements. The following standards are relevant for the Group.

Amendments to IAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions will simplify the accounting treatment of certain contributions by employees or third parties. These amendments, which must be applied to the consolidated financial statements of 2015, are expected to have no significant impact on the consolidated financial statements of the Group.

IFRS 9 Financial instruments replaces IAS 39 Financial instruments: recognition and measurement. IFRS 9 handles the classification and measurement of financial assets and liabilities. This standard is the first phase in the replacement of IAS 39. The IASB is currently working on a project to make limited amendments to the requirements with regard to classification and measurement under IFRS 9 and the addition of new requirements with regard to impairments of financial assets. In 2013, within the framework of IFRS 9, the IASB published a new standard with regard to hedge accounting that allows hedge accounting to be aligned to risk management. The IASB will set the commencement date as soon as the projects for classification and measurement and impairment losses have been finalized. The Group does not intend to early adopt this standard and the consequences for the consolidated financial statements have not been determined yet.

IFRIC 21 Levies establishes the circumstances in which a levy imposed by a government must be recognized in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. This interpretation, which must be applied to the consolidated financial statements of 2014, is expected to have no significant impact on the consolidated financial statements of the Group.

There are no other standards or interpretations that are not yet effective in 2013 and that could have a material impact on the Group.

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 expenses, income tax expense and their related assets and liabilities are not monitored by segment by the Group's CEOs and CFO. This also goes for other tax receivables and liabilities.

The capital expenditures 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 2013

INCOME STATEMENT

| IN '000 € | 2013 | | | | | |
|--------------------------------|---------------|---------------|--------------|--------------------------------------|------------------|---------------|
| | BELGIUM | FRANCE | SPAIN | OTHER (POLAND AND SWITZERLAND) | NOT ALLOCATED | TOTAL |
| Segment revenue | 169 244 | 59 604 | 31 043 | 4 438 | | 264 329 |
| Inter-segment revenue | -16 734 | -913 | -628 | -74 | | -18 349 |
| Revenue | 152 510 | 58 691 | 30 415 | 4 364 | | 245 980 |
| Cost of sales | -98 557 | -39 509 | -22 939 | -2 864 | | -163 869 |
| Gross profit | 53 953 | 19 182 | 7 476 | 1 500 | | 82 111 |
| Marketing and selling expenses | -11 246 | -1 997 | -1 816 | -181 | | -15 240 |
| Administrative expenses | -10 838 | -1 756 | -759 | -285 | | -13 638 |
| Other operating income | 1 079 | 664 | 1 | 937 | | 2 681 |
| Other operating expenses | -664 | -158 | -23 | | | -845 |
| Segment profit | 32 284 | 15 935 | 4 879 | 1 971 | | 55 069 |
| Finance income | | | | | 1 206 | 1 206 |
| Finance expenses | | | | | -7 204 | -7 204 |
| Profit before tax | | | | | | 49 071 |
| Income tax expense | | | | | -11 530 | -11 530 |
| PROFIT FOR THE PERIOD | | | | | | 37 541 |

STATEMENT OF FINANCIAL POSITION – ASSETS

| IN '000 € | 2013 | | | | | |
|------------------------------------|----------------|---------------|---------------|--------------------------------------|------------------|----------------|
| | BELGIUM | FRANCE | SPAIN | OTHER (POLAND AND SWITZERLAND) | NOT ALLOCATED | TOTAL |
| Other intangible assets | 2 389 | 388 | 239 | | | 3 016 |
| Goodwill | 6 586 | 3 299 | 2 374 | 6 502 | | 18 761 |
| Property, plant and equipment | 89 614 | 64 062 | 46 712 | 6 483 | | 206 871 |
| Investment property | | | | 12 056 | | 12 056 |
| Deferred tax assets | | | | | 1 113 | 1 113 |
| Other receivables | 33 | 13 087 | 275 | | | 13 395 |
| Other financial assets | | | | | 27 | 27 |
| Non-current assets | 98 622 | 80 836 | 49 600 | 25 041 | 1 140 | 255 239 |
| Inventories | 2 034 | 926 | 312 | 87 | | 3 359 |
| Trade and other receivables | 18 607 | 4 748 | 1 002 | 194 | 625 | 25 176 |
| Current tax assets | | | | | 523 | 523 |
| Cash and cash equivalents | | | | | 19 293 | 19 293 |
| Assets classified as held for sale | | | | | 6 721 | 6 721 |
| Current assets | 20 641 | 5 674 | 1 314 | 281 | 27 162 | 55 072 |
| TOTAL ASSETS | 119 263 | 86 510 | 50 914 | 25 322 | 28 302 | 310 311 |

STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

| IN '000 € | 2013 | | | | | |
|---|---------------|---------------|--------------|--------------------------------------|------------------|----------------|
| | BELGIUM | FRANCE | SPAIN | OTHER (POLAND AND SWITZERLAND) | NOT ALLOCATED | TOTAL |
| Share capital and share premium | | | | | 20 106 | 20 106 |
| Consolidated reserves | | | | | 86 132 | 86 132 |
| Translation reserve | | | | | -1 581 | -1 581 |
| Total equity attributable to owners of the Company | | | | | 104 657 | 104 657 |
| Non-controlling interests | | | | | | |
| Equity | | | | | 104 657 | 104 657 |
| Loans and borrowings | | | | | 87 917 | 87 917 |
| Provisions | 2 660 | 356 | | | | 3 016 |
| Deferred tax liabilities | | | | | 17 509 | 17 509 |
| Derivative financial instruments | | | | | | |
| Other payables | | 8 015 | 89 | | | 8 104 |
| Non-current liabilities | 2 660 | 8 371 | 89 | | 105 426 | 116 546 |
| Bank overdrafts | | | | | 581 | 581 |
| Loans and borrowings | | | | | 19 332 | 19 332 |
| Trade and other payables | 38 980 | 14 373 | 4 004 | 960 | 4 066 | 62 383 |
| Provisions | 267 | 448 | | | | 715 |
| Derivative financial instruments | | | | | 60 | 60 |
| Current tax liabilities | | | | | 6 037 | 6 037 |
| Current liabilities | 39 247 | 14 821 | 4 004 | 960 | 30 076 | 89 108 |
| TOTAL EQUITY AND LIABILITIES | 41 907 | 23 192 | 4 093 | 960 | 240 159 | 310 311 |

CAPITAL EXPENDITURE

| IN '000 € | 2013 | | | | | |
|---------------------|---------|--------|-------|--------------------------------------|------------------|--------|
| | BELGIUM | FRANCE | SPAIN | OTHER (POLAND AND SWITZERLAND) | NOT ALLOCATED | TOTAL |
| Capital expenditure | 6 320 | 3 445 | 2 118 | 154 | | 12 037 |

NON-CASH ELEMENTS

| IN '000 € | 2013 | | | | | |
|--|---------------|--------------|--------------|--------------------------------------|------------------|---------------|
| | BELGIUM | FRANCE | SPAIN | OTHER (POLAND AND SWITZERLAND) | NOT ALLOCATED | TOTAL |
| Depreciation, amortization, provisions and impairments | 11 578 | 5 497 | 2 363 | 499 | | 19 937 |
| Other | 162 | 13 | 6 | | | 181 |
| TOTAL | 11 740 | 5 510 | 2 369 | 499 | | 20 118 |



Segment reporting

at 31 December 2012

INCOME STATEMENT

| IN '000 € | 2012 | | | | | |
|--------------------------------|---------------|---------------|---------------|--------------------------------------|------------------|---------------|
| | BELGIUM | FRANCE | SPAIN | OTHER (POLAND AND SWITZERLAND) | NOT ALLOCATED | TOTAL |
| Segment revenue | 169 824 | 63 129 | 38 255 | 4 787 | | 275 995 |
| Inter-segment revenue | -20 018 | -809 | -609 | -54 | | -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 |
| Marketing and selling expenses | -12 262 | -2 164 | -1 569 | -180 | | -16 175 |
| Administrative expenses | -12 301 | -1 684 | -809 | -304 | | -15 098 |
| Other operating income | 506 | 753 | 12 | | | 1 271 |
| Other operating expenses | -561 | | 16 | -1 | | -546 |
| 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 |
| 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 |
| Assets classified as held for sale | | | | | 8 673 | 8 673 |
| 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 |
| Share 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 |

CAPITAL EXPENDITURE

| IN '000 € | 2012 | | | | | |
|---------------------|---------|--------|-------|--------------------------------------|------------------|--------|
| | BELGIUM | FRANCE | SPAIN | OTHER (POLAND AND SWITZERLAND) | NOT ALLOCATED | TOTAL |
| Capital expenditure | 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 |



3. Revenue

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

| IN '000 € | 2012 | 2013 |
|----------------------|----------------|----------------|
| Box office | 139 891 | 131 890 |
| In-theatre sales | 52 975 | 51 893 |
| Business-to-business | 49 705 | 50 084 |
| Film distribution | 3 016 | 3 355 |
| Real estate | 8 830 | 8 671 |
| Technical department | 88 | 87 |
| TOTAL | 254 505 | 245 980 |

The decrease in the Box office revenue and In-theatre sales is due to the lower visitor number in 2013.

Business-to-business revenue increased as a consequence of the higher revenue from screen advertising in 2013. Business-to-business revenue includes exchange deals for € 8.2 million (2012: € 10.0 million).

The increase in film distribution revenue is due to the greater success of the films that were released in 2013. More revenue was also generated from video-on-demand and DVD distribution.

Received royalties were € 0.6 million (2012: € 0.1 million).

4. Other operating income and expenses

Other operating income

| IN '000 € | 2012 | 2013 |
|--|--------------|--------------|
| Government grants | 753 | 1 121 |
| Reversal of provisions | 500 | 500 |
| Capital gains on disposal of property, plant and equipment | 6 | 990 |
| Other | 12 | 70 |
| TOTAL | 1 271 | 2 681 |

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 result over the useful life of the related assets at € 0.7 million in 2013 (2012: € 0.8 million). The Group also received training-related government grants for € 0.5 million in 2013.

Reversal of provisions

The provision for the termination of lease agreements, set up in 2012, was reversed in 2013. In 2012 a provision for transformation of the Group was used.

Capital gains on disposal of property, plant and equipment

In 2013, the Group generated a capital gain of € 0.9 million, after deduction of selling expenses, from the sale of part of the undeveloped site adjacent to the cinema in Poznan (Poland) to Porsche Inter Auto Polska for € 2.0 million.

Other operating expenses

| IN '000 € | 2012 | 2013 |
|---|-------------|-------------|
| Losses on disposal of property, plant and equipment | -45 | -80 |
| Accelerated depreciation of property, plant and equipment | | -369 |
| Accelerated amortization of intangible assets | | -100 |
| Set up of provisions | -500 | |
| Other | -1 | -296 |
| TOTAL | -546 | -845 |

Accelerated amortization/depreciation of intangible assets and property, plant and equipment

In 2013 a number of assets under construction were taken to profit or loss as a result of the changed project in Leuven (Belgium). At the same time, licences that will no longer be used in the future were amortized on an accelerated basis.

Set up of provisions

A provision for the ending of leases was established in 2012.

Other

The other operating expenses in 2013 mainly consists of the losses incurred with regard to a number of trade receivables.

5. Personnel expenses and other social benefits

| IN '000 € | 2012 | 2013 |
|---|----------------|----------------|
| Wages and salaries | -30 047 | -27 474 |
| Social security contributions | -8 628 | -7 893 |
| Employer contributions for employee insurances | -338 | -339 |
| Share-based payments | -475 | -181 |
| Other personnel expenses | -2 298 | -1 892 |
| TOTAL | -41 786 | -37 779 |
| Total full-time equivalents at balance sheet date | 890 | 799 |

The decline in personnel expenses in 2013 is due to the lower number of full-time equivalents at 31 December 2013 and a number of non-current expenses in 2012. The decline in the number of full-time equivalents is due to improved efficiency in the staff planning in the complexes in all countries, the maximized use of temporary staff in Belgium and the lower visitor numbers in Spain and France.

The employer contributions for employee insurances mainly relate to supplementary pension insurances for a number of employees of the Group of € 0.3 million (2012: € 0.2 million). These pension insurances are defined contribution plans, but are subject to the legal return of 3.25% on the employer contributions and 3.75% on the employee contributions. The return guaranteed by the insurer on the accrued

reserves since 1 January 2013 is lower than these percentages. The return on the accrued reserves at the end of 2013 is cumulatively in line with or higher than the guaranteed percentages. As a consequence, the fair value of the fund investments is higher than the liabilities based on the pension entitlements and no cover shortfall must be provided for.

The personnel expenses include early retirement pensions, which, in accordance with IFRS, should be treated as termination benefits, as no reasonable expectation was generated among employees during hiring or employment that they would be entitled to an early retirement pension before the legal retirement age. It concerns insignificant amounts.

6. Additional information on operating expenses by nature

Personnel expenses and other social benefits are charged to the following lines of the income statement:

| IN '000 € | 2012 | 2013 |
|--------------------------------|----------------|----------------|
| Cost of sales | -30 466 | -27 631 |
| Marketing and selling expenses | -4 067 | -3 808 |
| Administrative expenses | -7 253 | -6 340 |
| TOTAL | -41 786 | -37 779 |

Depreciation and amortization are charged to the following lines of the income statement:

| IN '000 € | 2012 | 2013 |
|--------------------------------|----------------|----------------|
| Cost of sales | -18 718 | -18 541 |
| Marketing and selling expenses | -325 | -409 |
| Administrative expenses | -882 | -587 |
| Other operating expenses | -46 | -468 |
| TOTAL | -19 971 | -20 005 |

7. Finance income and expenses

Finance income

| IN '000 € | 2012 | 2013 |
|--|--------------|--------------|
| Interest income | 233 | 21 |
| Foreign exchange gains | 327 | 97 |
| Reclassification of fair value of derivative financial instruments ended in the past | 39 | 10 |
| Unwinding of non-current government grants receivable | 801 | 769 |
| Other | 130 | 309 |
| TOTAL | 1 530 | 1 206 |



Finance expenses

| IN '000 € | 2012 | 2013 |
|--|---------------|---------------|
| Interest expenses | -5 205 | -5 081 |
| Foreign exchange losses | -173 | -85 |
| Impairments of tax shelter investments | -553 | -539 |
| Other | -1 458 | -1 499 |
| TOTAL | -7 389 | -7 204 |

In 2013 the Group pays more interest on the public bond issued for € 75.0 million in 2012 (see note 24). This increase is more than offset by lower interest with regard to the other financial loans and borrowings.

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 at € 0.2 million in 2013 (2012: € 0.2 million) and are included in the interest expenses.

The fair value of the interest rate swaps transferred from equity to the income statement (interest expenses) was € -0.5 million (2012: € -0.5 million).

The other finance expenses mainly include banking costs. These also include commitment fees with regard to the credit agreement the Group concluded in 2012 (see note 24) at € 0.3 million (2012: € 0.2 million).

8. Income tax expense

| IN '000 € | 2012 | 2013 |
|----------------------|----------------|----------------|
| Current tax expense | -5 994 | -11 999 |
| Deferred tax expense | -4 116 | 469 |
| TOTAL | -10 110 | -11 530 |

Effective tax rate reconciliation

| IN '000 € | 2012 | 2013 |
|--|----------------|----------------|
| Profit before tax | 45 814 | 49 071 |
| Belgian tax rate | 33.99% | 33.99% |
| Income tax using the Company's domestic tax rate | -15 572 | -16 679 |
| Effect of tax rates in foreign jurisdictions | 234 | 227 |
| Non-deductible expenses | -799 | -962 |
| Tax-exempt income | 4 539 | 4 145 |
| Use of unrecognized losses and tax losses for which no deferred tax asset was recognized | 4 336 | 1 838 |
| Under/(over) provided in prior periods | 242 | 146 |
| Other adjustments | -3 090 | -245 |
| TOTAL | -10 110 | -11 530 |
| Effective tax rate | 22.07% | 23.50% |

The effective tax rate was 23.50% in 2013 (2012: 22.07%). The increase in income tax expense is the consequence of the higher profit before tax and the lower use of tax losses carried forward, partly offset by lower taxes on intra-group dividends.

The notional interest deduction and the fiscal treatment of tax shelters, both included in 'Tax-exempt income', had a positive impact on the tax burden in both 2013 and 2012.

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

Deferred tax recognized directly to equity

Deferred tax of € -0.2 million was directly recognized in equity (2012: € 0.2 million).

9. Other intangible assets

| IN '000 € | PATENTS AND LICENSES | OTHER | INTERNALLY DEVELOPED INTANGIBLE ASSETS | TOTAL |
|--|----------------------|--------------|--|--------------|
| Acquisition value | 1 773 | 4 773 | 2 091 | 8 637 |
| Amortization and impairment losses | -1 030 | -2 933 | -1 307 | -5 270 |
| NET CARRYING AMOUNT 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 AMOUNT AT 31/12/2012 | 567 | 1 924 | 824 | 3 315 |
| Acquisitions | 704 | | 247 | 951 |
| Transfer from / to other categories | 1 493 | -1 293 | -190 | 10 |
| Amortization | -813 | -134 | -313 | -1 260 |
| Acquisition value | 6 775 | 1 110 | 1 701 | 9 586 |
| Amortization and impairment losses | -4 824 | -613 | -1 133 | -6 570 |
| NET CARRYING AMOUNT AT 31/12/2013 | 1 951 | 497 | 568 | 3 016 |

The patents and licences mainly comprise software.

The acquisitions partly concern the first expenditures for the renewal of the front office software of the Group.

The transfer of the other intangible assets to patents and licences concerns software reported as of 2013 together with the other software of the Group.

In 2013 a licence was amortized on an accelerated basis for € 0.1 million as it will never be used again. This amount is part of the other operating expenses.

The internally developed intangible assets concern the software for the ticketing system of the Group.

10. Goodwill

GOODWILL

| IN '000 € | 2012 | 2013 |
|--|---------------|---------------|
| 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 2013, as every year in this period, a review was performed to identify any indications of impairment of non-financial assets. 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.

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 recognized on the basis of the impairment tests performed.

The impairment tests were as always performed at country level, also 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 basis;



- ★ Screen advertising is managed on a 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 complex and at country level.

In the impairment tests the value in use was taken into consideration. For all cash generating units the value in use was defined by discounting the future cash flows calculated over the period 2014 to 2033, based on the budget for 2014. 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 2015 to 2033 the data of the 2014 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 capital expenditures are based on the historical run rate and increase by 1% every year as from 2015.

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 Switzerland, 6.95% for Spain and 5.54% for Poland (2012: 6.75% for Belgium, France, Switzerland and Spain, 6.84% for Poland), determined on the basis of the following theoretical parameters:

- ★ For Belgium, France and Switzerland: 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 Spain: a risk-free interest rate of 6%, a market risk premium of 5.33%, a Beta of 1.16 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 5%.

Goodwill per cash generating unit

| IN '000 € | 2012 | 2013 |
|--------------|---------------|---------------|
| Belgium | 6 586 | 6 586 |
| France | 3 299 | 3 299 |
| Spain | 2 374 | 2 374 |
| Poland | 6 502 | 6 502 |
| TOTAL | 18 761 | 18 761 |

The various components of the weighted average cost of capital are assessed annually for each country. For Belgium, France and Switzerland this did not result in an adjustment of the weighted average cost of capital for these countries in 2013.

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 Switzerland, 8.36% for Spain and 6.30% for Poland (2012: 8.16% for Belgium, France, Switzerland and Spain, 7.90% for Poland). These percentages before tax do not differ strongly from the iterative calculation.

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 amount of the cash generating units that would materially exceed their recoverable amount. 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.

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 in 2012. 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 |

11. Property, plant and equipment

| IN '000 € | LAND AND BUILDINGS | PLANT, MACHINERY & EQUIPMENT | ASSETS UNDER CONSTRUCTION | TOTAL |
|--|--------------------|------------------------------|---------------------------|----------------|
| Acquisition value | 324 428 | 166 734 | 238 | 491 400 |
| Depreciation and impairment losses | -145 022 | -125 146 | -1 | -270 169 |
| NET CARRYING AMOUNT 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 AMOUNT AT 31/12/2012 | 173 273 | 40 286 | 867 | 214 426 |
| Acquisitions | 3 972 | 6 043 | 1 044 | 11 059 |
| Sales and disposals | -32 | -43 | | -75 |
| Transfer from / to other categories | 225 | 118 | -353 | -10 |
| Depreciation | -9 019 | -9 031 | -368 | -18 418 |
| Effect of exchange rate fluctuations | -107 | -4 | | -111 |
| Acquisition value | 330 945 | 179 792 | 1 192 | 511 929 |
| Depreciation and impairment losses | -162 633 | -142 423 | -2 | -305 058 |
| NET CARRYING AMOUNT AT 31/12/2013 | 168 312 | 37 369 | 1 190 | 206 871 |

Acquisitions

The acquisitions under Plant, Machinery & Equipment and Assets under construction primarily concern maintenance capital expenditures, the remodelling of the complex in Nîmes (France), the extension of the complex in Lomme (France) and the construction of a children's playground in Madrid (Spain).

Leased plant, machinery and equipment

In 2010 the Group's existing digital projectors were sold to a third party at net carrying amount and leased back for a period of six years. A number of new digital projectors were also leased. In 2013 new digital projectors were leased for € 0.3 million (2012: € 1.4 million). The carrying amount of these leased machines and equipment was € 8.0 million at 31 December 2013 (2012: € 9.6 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.

Write-off of assets under construction

In 2013 the assets under construction with regard to a changed project in Leuven (Belgium) were written off for € 0.4 million. This write-off is part of the other operating expenses.



12. Investment property

| IN '000 € | LAND AND BUILDINGS | PLANT, MACHINERY & EQUIPMENT | ASSETS UNDER CONSTRUCTION | TOTAL |
|--|--------------------|------------------------------|---------------------------|---------------|
| Acquisition value | 16 584 | 481 | | 17 065 |
| Depreciation and impairment losses | -3 856 | -372 | | -4 228 |
| NET CARRYING AMOUNT AT 31/12/2011 | 12 728 | 109 | | 12 837 |
| Depreciation | -311 | -16 | | -327 |
| Transfer 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 AMOUNT AT 31/12/2012 | 11 348 | 101 | | 11 449 |
| Acquisitions | 27 | | | 27 |
| Depreciation | -310 | -16 | | -326 |
| Transfer from assets classified as held for sale | 1 038 | | | 1 038 |
| Effect of exchange rate fluctuations | -131 | -1 | | -132 |
| Acquisition value | 16 706 | 513 | | 17 219 |
| Depreciation and impairment losses | -4 734 | -429 | | -5 163 |
| NET CARRYING AMOUNT AT 31/12/2013 | 11 972 | 84 | | 12 056 |

Since 18 January 2007 the land, buildings, machines 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 the Group will assume future renovation costs of € 0.1 million at the Polish 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 was expected to be sold within the year. In 2013 part of this land was sold as planned. The unsold part was transferred back to investment property for € 1.0 million.

Rental income from investment property was € 1.1 million (2012: € 1.3 million). The direct operating charges (including repairs and maintenance) ensuing from investment property were € 0.3 million (2012: 0.4 million).

Fair value

The fair value of the investment property is measured annually by an independent expert. This external expert possesses the requisite recognized professional qualifications and experience in appraising real estate at the location and in the category concerned.

The fair value of the investment property is € 20.6 million (2012: € 16.2 million). The increase in the fair value compared to 2012 is due to the change in the appraisal method in 2013, which is now based on the highest and best use of the assets in accordance with the new IFRS 13. The increase in the fair value is also partly due to the transfer of part of the land from assets classified as held for sale to investment property, as its sale within one year is no longer highly probable.

The fair value of the investment property is recognized as a level 3 fair value based on the unobservable inputs that were used for the measurement.

The market approach is used for the measurement of the fair value of the land. The independent expert bases the price per square metre on his knowledge of the market and information on market transactions with regard to comparable assets. The size, location and layout of the land and the destination of the area in which they are situated have also been taken into account. The fair value of the other assets that are part of investment property is measured on the basis of the cost approach, in which the current replacement value of the assets is adjusted to account for physical, functional and economic obsolescence.

13. Deferred tax

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 unused tax credits that would result in a deferred tax asset in an amount of € 5.7 million (2012:

€ 10.6 million), because it is improbable that sufficient taxable profit will be available in the foreseeable future to be able to benefit from the tax gain. This amount is lower than in the previous year due to the use of part of the tax losses carried forward for a number of entities, which had unexpected positive results, and the liquidation of a company in 2013.

Furthermore, in 2013, deferred tax assets were recognized as a result of a positive evolution of the result of companies for which the deferred tax asset was not yet fully recognized in the past. The tax losses carried forward can be carried forward to an unlimited degree in Belgium. In Switzerland the losses can be carried forward for 7 years.

Temporary differences for which deferred tax liabilities are recognized as from 2012

In 2013 a deferred tax liability of € 1.4 million was recognized in connection with all distributable reserves in the subsidiaries of the Group (2012: € 1.5 million). This deferred tax liability was allocated to the investments in subsidiaries in the following table.

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

| IN '000 € | 2012 | | | 2013 | | |
|---|--------------|----------------|----------------|--------------|----------------|----------------|
| | ASSETS | LIABILITIES | DIFFERENCE | ASSETS | LIABILITIES | DIFFERENCE |
| Property, plant and equipment and other intangible assets | 1 080 | -18 906 | -17 826 | 781 | -18 926 | -18 145 |
| Receivable CNC government grants | 1 751 | | 1 751 | 1 494 | | 1 494 |
| Inventories | 4 | | 4 | 3 | | 3 |
| Trade and other receivables | | | | 59 | -6 | 53 |
| Provisions | | -154 | -154 | | -158 | -158 |
| Deferred CNC government grants | 335 | -730 | -395 | 411 | -499 | -88 |
| Derivative financial instruments through equity | 215 | | 215 | 20 | | 20 |
| Tax losses carried forward and other deferred tax assets | 1 159 | | 1 159 | 1 748 | | 1 748 |
| Trade and other payables | 114 | | 114 | 67 | | 67 |
| Investments in subsidiaries | | -1 537 | -1 537 | | -1 390 | -1 390 |
| TOTAL | 4 658 | -21 327 | -16 669 | 4 583 | -20 979 | -16 396 |
| Tax offsetting | -3 912 | 3 912 | | -3 470 | 3 470 | |
| NET DEFERRED TAX ASSETS AND LIABILITIES | 746 | -17 415 | -16 669 | 1 113 | -17 509 | -16 396 |

Changes in deferred tax balances during the year

| IN '000 € | 2012 | RECOGNIZED IN PROFIT AND LOSS | RECOGNIZED IN OTHER COMPREHENSIVE INCOME | 2013 |
|---|----------------|-------------------------------|--|----------------|
| Property, plant and equipment and other intangible assets | -17 826 | -319 | | -18 145 |
| Receivable CNC government grants | 1 751 | -257 | | 1 494 |
| Inventories | 4 | -1 | | 3 |
| Trade and other receivables | | 53 | | 53 |
| Provisions | -154 | -4 | | -158 |
| Deferred CNC government grants | -395 | 307 | | -88 |
| Derivative financial instruments through equity | 215 | | -195 | 20 |
| Tax losses carried forward and other deferred tax assets | 1 159 | 589 | | 1 748 |
| Trade and other payables | 114 | -47 | | 67 |
| Investments in subsidiaries | -1 537 | 147 | | -1 390 |
| TOTAL | -16 669 | 468 | -195 | -16 396 |

14. Inventories

| IN '000 € | 2012 | 2013 |
|---|--------------|--------------|
| 3D glasses | 1 082 | 856 |
| Goods purchased for resale in the multiplexes | 1 032 | 1 041 |
| Components inventory technical department | 1 061 | 1 403 |
| Other | 74 | 59 |
| TOTAL | 3 249 | 3 359 |

The cost of sales of inventories recognized in the income statement in 2013 was € 13.9 million (2012: € 15.3 million).



15. Trade and other receivables

Non-current other receivables

| IN '000 € | 2012 | 2013 |
|-------------------|---------------|---------------|
| Cash guarantees | 384 | 850 |
| Other receivables | 12 760 | 12 545 |
| TOTAL | 13 144 | 13 395 |

All non-current other receivables relate to the sector-related government grants that can be obtained in France from the CNC based on the number of visitors.

Current trade and other receivables

| IN '000 € | 2012 | 2013 |
|---|---------------|---------------|
| Trade receivables | 18 992 | 20 968 |
| Taxes receivable, other than income taxes | 893 | 625 |
| Deferred charges and accrued income | 101 | 90 |
| Tax shelter receivables | 634 | 603 |
| Tax shelter investments | 413 | 396 |
| Other receivables | 2 265 | 2 494 |
| TOTAL | 23 298 | 25 176 |

The tax shelter receivables concern the loans made to third parties to finance and support the film production in Belgium. The 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 € 1.9 million (2012: € 1.6 million). 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 AMOUNT 2012 | IMPAIRMENT 2012 | NET CARRYING AMOUNT 2012 | GROSS CARRYING AMOUNT 2013 | IMPAIRMENT 2013 | NET CARRYING AMOUNT 2013 |
|--------------------------------------|----------------------------|-----------------|--------------------------|----------------------------|-----------------|--------------------------|
| Not yet due on reporting date | 28 222 | -3 | 28 219 | 31 945 | -7 | 31 938 |
| Less than 30 days past due | 5 541 | -20 | 5 521 | 5 229 | -74 | 5 155 |
| Between 31 and 120 days past due | 1 940 | -98 | 1 842 | 1 197 | -94 | 1 103 |
| Between 120 days and 1 year past due | 697 | -623 | 74 | 883 | -729 | 154 |
| Over 1 year past due | 1 611 | -825 | 786 | 1 150 | -929 | 221 |
| TOTAL | 38 011 | -1 569 | 36 442 | 40 404 | -1 833 | 38 571 |

Movement in the allowance for impairment of trade receivables

| IN '000 € | 2012 | 2013 |
|--|---------------|---------------|
| BALANCE AT END OF PREVIOUS PERIOD | -1 372 | -1 569 |
| Recognized impairments | -634 | -488 |
| Utilized impairments | 168 | 133 |
| Reversed impairments | 276 | 91 |
| Effect of exchange rate fluctuations | -7 | |
| BALANCE AT END OF CURRENT PERIOD | -1 569 | -1 833 |

The recognized, utilized and reversed impairments are part of the cost of sales for € 0.2 million and the marketing and selling expenses for € 0.1 million.

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

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

16. Cash and cash equivalents

| IN '000 € | 2012 | 2013 |
|--|---------------|---------------|
| Current investments (less than three months) | 16 850 | 180 |
| Cash at bank and in hand | 11 977 | 19 113 |
| TOTAL | 28 827 | 19 293 |
| Bank overdrafts considered as cash and cash equivalents in the statement of cash flows | -42 | -581 |
| CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS | 28 785 | 18 712 |

17. Assets classified as held for sale

| IN '000 € | 2012 | 2013 |
|--|--------------|--------------|
| BALANCE AT END OF PREVIOUS PERIOD | 6 721 | 8 673 |
| Sales and disposals | | -867 |
| Transfer to / from other categories | 1 909 | -1 038 |
| Effect of exchange rate fluctuations | 43 | -47 |
| BALANCE AT END OF CURRENT PERIOD | 8 673 | 6 721 |

In 2012 part of the land in Poznan (Poland) was transferred from investment property to assets classified as held for sale for € 1.9 million, because there were concrete plans to sell this land within the year. In 2013 part of this land was sold to Porsche Inter Auto Polska for € 2.0 million. The rest of the land was transferred back to investment property, as its sale within the year is no longer highly probable.

On 31 December 2013 and 2012 the assets held for sale consist of the land in Valencia (Spain). The Group has granted a purchase option on these sites to a third party until the end of 2014. The sale is expected to take place within the year.

18. Equity

The various components of equity as well as the changes between 31 December 2012 and 31 December 2013 are set out in the consolidated statement of changes in equity.

Share capital

The Company's share capital at 31 December 2013 was € 19.0 million (2012: € 19.0 million), represented by 5 582 654 ordinary shares without nominal value (2012: 5 856 508 shares). All shares are paid up in full. The share premium at 31 December 2013 was € 1.2 million (2012: € 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.

Treasury shares reserve

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. In 2013, the company acquired 276 492 of its own shares for € 28.8 million (2012: 713 422 – € 47.9 million) and 14 000 treasury shares were sold pursuant to the exercise of options for € 0.3 million (2012: 0). Furthermore, 273 854 shares were cancelled in 2013 for € 28.5 million (2012: 724 847 – € 48.5 million). At 31 December 2013 the Group held 300 523 treasury shares (2012: 311 885).

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 reserve includes all exchange rate differences resulting from the translation of the financial statements of foreign entities.

Share-based payments reserve

At 31 December 2013 a total of 269 249 options were allocated (2012: 292 624 options). These options entitle their holders to one share per option (see note 20). The options will expire ten years after the date of approval of the plan by the Board of Directors, on 5 November 2017.

Dividends

On 20 February 2014 a dividend of € 16.8 million was proposed with respect to 2013 (2012: € 13.1 million). Based on the number of shares entitled to dividend at the date of publication of this annual report, this means a gross dividend per share of € 3.19 (2012: € 2.36). If all vested options are exercised the gross dividend will be € 3.09 per share. 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.



19. Earnings per share

| IN '000 € | 2012 | 2013 |
|---|---------------|---------------|
| Profit attributable to equity holders of the Company | 35 704 | 37 541 |
| Weighted average number of ordinary shares | 5 801 | 5 432 |
| Effect of options | 165 | 196 |
| Weighted average number of diluted shares | 5 966 | 5 628 |
| Basic earnings per share (in €) | 6.15 | 6.91 |
| Diluted earnings per share (in €) | 5.98 | 6.67 |

Basic earnings per share

The calculation of the basic earnings per share is based on the profit of € 37.5 million attributable to the ordinary shareholders (2012: € 35.7 million) and a weighted average number of ordinary shares outstanding during the year of 5 431 812 (2012: 5 800 963).

Diluted earnings per share

The calculation of the diluted earnings per share is based on the profit of € 37.5 million attributable to the ordinary shareholders (2012: € 35.7 million) and a weighted average number of diluted ordinary shares outstanding during the year of 5 628 307 (2012: 5 966 251).

20. 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 options will expire 10 years after the date of the approval of the plan by the Board of Directors.

The Board of Directors of 25 March 2011 approved the extension of the 2007-2016 Share Option Plan by 34 654 shares to a total of 311 885 shares.

At 31 December 2013 the total number of allocated options of the Share Option Plan was 269 249 (2012: 292 624). 9 375 options were forfeited (2012: 7 800). 14 000 options were exercised (2012: 0). The weighted average share price at the time of exercise was € 98.66. As in 2012, no additional options were granted in 2013.

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% |
| Original 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 only become unconditional once the other party has been employed for a certain period. 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 2012 | WEIGHTED AVERAGE EXERCISE PRICE 2012 | NUMBER OF OPTIONS 2013 | WEIGHTED AVERAGE EXERCISE PRICE 2013 |
|--|------------------------------|--|------------------------------|--|
| Outstanding options at end of previous period | 300 424 | 28.01 | 292 624 | 28.47 |
| Options exercised during the year | | | -14 000 | 14.71 |
| Options forfeited during the year | -7 800 | -10.74 | -9 375 | 48.19 |
| Outstanding options at end of current period | 292 624 | 28.47 | 269 249 | 28.50 |
| Exercisable options at end of current period | 103 962 | 23.85 | 132 753 | 23.75 |

21. 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 foreign currency risks, see note 24.

Non-current loans and borrowings

| IN '000 € | 2012 | 2013 |
|---|---------------|---------------|
| Leasing and similar liabilities | 7 665 | 5 664 |
| Loans and borrowings with credit institutions | | 8 000 |
| Public bond | 75 000 | 75 000 |
| Transaction costs refinancing | -956 | -747 |
| TOTAL | 81 709 | 87 917 |

Current loans and borrowings

| IN '000 € | 2012 | 2013 |
|---------------------------------|---------------|---------------|
| Leasing and similar liabilities | 2 190 | 2 332 |
| Other loans and borrowings | 35 499 | 17 000 |
| TOTAL | 37 689 | 19 332 |

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. At 31 December 2013 € 8.0 million was taken up (2012: € 0.0 million). Within the framework of the refinancing, the Group also issued a public bond for € 75.0 million.

ted credit agreement and the public bond. The amount not recognized in the income statement is charged to loans and borrowings.

At the end of 2013 the outstanding Commercial Paper debt was € 17.0 million (2012: € 35.5 million). This amount is part of other loans and borrowings.

The transaction costs for the refinancing were € -1.1 million and are recognized in the income statement over the term of the unguaranteed

Finance lease liabilities

The future minimum lease payments are:

| IN '000 € | PAYMENTS 2012 | INTEREST CHARGES 2012 | CAPITAL 2012 | PAYMENTS 2013 | INTEREST CHARGES 2013 | CAPITAL 2013 |
|----------------------------|------------------|-----------------------------|-----------------|------------------|-----------------------------|-----------------|
| Less than one year | 2 529 | -339 | 2 190 | 2 591 | -259 | 2 332 |
| Between one and five years | 7 953 | -483 | 7 470 | 5 870 | -255 | 5 615 |
| More than five years | 197 | -2 | 195 | 49 | | 49 |
| TOTAL | 10 679 | -824 | 9 855 | 8 510 | -514 | 7 996 |

In 2013 digital projectors were sold and leased back for six years for € 0.3 million (2012: € 1.4 million).



22. Provisions

The provisions primarily concern the reinstatement of land, the termination of 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 2013 the provision for the demolition of the building and the reinstatement of the land to its original state was € 1.1 million (2012: € 1.1 million).

Transformation

On 31 December 2013 the provisions for the transformation of the organization were € 1.2 million (2012: € 1.3 million). In 2013 new transformation provisions were set up for € 0.5 million. € 0.4 million of the existing provisions was used. € 0.2 million was reversed.

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 2013 because there were no developments in the related cases. When these provisions will be used or reversed depends on the outcome of the legal disputes concerned and is accordingly uncertain.

Termination of lease agreements

Due to changes to the renovation project in Leuven (Belgium) in 2013, the provision for the termination of lease agreements set up in 2012 is no longer required. This provision was therefore reversed.

| IN '000 € | 2012 | 2013 |
|--|--------------|--------------|
| BALANCE AT END OF PREVIOUS PERIOD | 3 791 | 4 051 |
| Provisions set up | 1 170 | 828 |
| Discounting of provisions | 37 | 38 |
| Use of provisions | -716 | -457 |
| Reversal of provisions | -231 | -729 |
| BALANCE AT END OF CURRENT PERIOD | 4 051 | 3 731 |
| Balance at end of current period (non-current) | 3 776 | 3 016 |
| Balance at end of current period (current) | 275 | 715 |
| TOTAL | 4 051 | 3 731 |

23. Trade and other payables

Non-current trade and other payables

| IN '000 € | 2012 | 2013 |
|----------------|--------------|--------------|
| Other payables | 8 624 | 8 104 |
| TOTAL | 8 624 | 8 104 |

The non-current other payables primarily comprise the government grants that can be claimed from the CNC in France based on the number of visitors. These government grants, in the amount of

€ 7.6 million (2012: € 8.2 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 € | 2012 | 2013 |
|---|---------------|---------------|
| Trade payables | 48 754 | 47 444 |
| Employee benefits liabilities | 7 826 | 6 837 |
| Taxes payable, other than income taxes | 3 583 | 4 066 |
| Tax shelter liabilities | 500 | 200 |
| Advances received for contracts in progress | 361 | 361 |
| Accrued charges and deferred income | 2 958 | 3 074 |
| Other payables | 343 | 401 |
| TOTAL | 64 325 | 62 383 |

Accrued charges and deferred income

At 31 December 2013 the accrued interest expenses with respect to the public bond issued in 2012 were € 2.9 million (2012: € 2.9 million).

24. Risk management and financial instruments

RISK MANAGEMENT

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 rate swaps and foreign exchange forwards. The purpose is to manage the interest rate and foreign currency risks arising from the Group's activities and its sources of financing.

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 derivative financial instruments to match the terms of the hedged item so as to maximize hedge effectiveness.

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

The Board of Directors investigates and approves policies for managing each of these risks. These policies are summarized below. The accounting treatment of the derivative financial instruments is included 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 current and non-current loans and borrowings.

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

- 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;
- 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 the balance sheet date the Group had one single interest rate swap outstanding, on which the Group receives a variable interest rate equal to EURIBOR and pays a fixed interest rate. This swap is used to cover the variability in the cash flows of the underlying loans.

This interest rate swap is deemed to be a cash flow hedge in accordance with the IAS 39 hedge accounting rules. Therefore the effective portion of the change in fair value of the interest rate swap is recognized directly in other comprehensive income. The total changes in fair value of interest rate swaps recognized in other comprehensive income resulted in an increase in the hedging reserve of € 0.6 mil-

lion at 31 December 2013 before deferred tax (2012: an increase of € 0.7 million).

Kinepolis pursues a conservative financial policy. To hedge interest risk, since 2008 Kinepolis 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 2013 this gave a positive result of € 0.0 million recognized in the income statement (2012: € 0.0 million).

At 31 December 2013, after taking into account the effect of the interest rate swap, 82% of the Group's borrowings were recognized at a fixed interest rate (2012: 100% at a fixed interest rate).

Interest rate risk sensitivity analysis

The interest-bearing loans at the balance sheet date were € 107.8 million (2012: € 119.4 million). € 25.1 million or 23.2% of the interest-bearing loans have a variable interest rate, without taking into account the effect of the interest rate swap (€ 34.8 million or 29% in 2012).

Total interest charged to the income statement in 2013, including the results realized on derivative interest rate instruments, was € 5.1 million (2012: € 5.2 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 31/12/2013 | THEORETICAL VOLATILITY | POSSIBLE INTEREST RATE 31/12/2013 AS USED IN THE SENSITIVITY ANALYSIS |
|--------------|-----------------------------|---------------------------|---|
| EURIBOR (3m) | 0.29% | +2% / -0.25% | 2.29% / 0.04% |

Applying the possible increase/decrease in the market interest rate as provided above to the variable rate borrowings at 31 December 2013, and all other variables being constant, the profit would be € 0.5 million lower or € 0.1 million higher (2012: € 0.7 million lower or € 0.1 million higher). We estimated that this effect would be partially neutralized by the € 0.1 million higher or € 0.0 million lower interest income from interest rate derivatives (2012: € 0.7 million higher or € 0.1 million lower). The fair value of the financial instruments included in equity is not significantly impacted.

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 (Euro) (transaction risk).

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

Derivatives can be used at any time to hedge this risk.



The Group's sales denominated in currencies other than the functional currency are limited. The purchases of the Group's subsidiaries primarily concern the guarantee obligations in US Dollar entered into by Kinopolis Film Distribution NV towards Dutch Filmworks BV and to a limited degree the purchases of materials by the Group in US Dollar. At 31 December 2013 the Group had outstanding foreign exchange forward contracts for a nominal amount of \$ 1.8 million (2012: \$ 0.0 million) for the purposes of hedging this risk.

Loans between Kinopolis Financial Services NV and other Group companies are expressed in the currency of the latter. Foreign exchange results regarding the non-current loans in Swiss Franc and Polish Zloty of Kinopolis Financial Services NV to Kinopolis Schweiz AG and Kinopolis Poznan Sp.z o.o. are recognized in other compre-

hensive income, because these loans are considered to be part of the Group's net investment in these foreign entities. The following foreign exchange rate results were recognized directly in equity:

| IN '000 € | 2012 | 2013 |
|--------------|-------------|-------------|
| Polish Zloty | -842 | -1 070 |
| Swiss Franc | 320 | 152 |
| TOTAL | -522 | -918 |

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

Foreign currency risk sensitivity analysis

| 1 EURO CORRESPONDS TO: | CLOSING RATE 31/12/2013 | AVERAGE RATE 2013 | THEORETICAL VOLATILITY | POSSIBLE CLOSING RATE 31/12/2013 | POSSIBLE AVERAGE RATE 2013 |
|------------------------|-------------------------|-------------------|------------------------|----------------------------------|----------------------------|
| Polish Zloty | 4.1472 | 4.1970 | 20% | 3.32 - 4.98 | 3.36 - 5.04 |
| Swiss Franc | 1.2276 | 1.2310 | 20% | 0.98 - 1.47 | 0.98 - 1.48 |

The above table states the possible changes in the exchange rate for the Polish Zloty and the Swiss Franc against the Euro, 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 indicated above, and all other variables being constant, the profit would have been € 0.0 million higher (2012: € 0.0 million higher) or € 0.0 million lower (2012: € 0.0 million lower) and equity at the end of 2013 would have been € 4.5 million lower or € 3.0 million higher (2012: € 5.1 million lower or € 3.4 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 accounts for impairment losses in the amount of the estimated losses in relation to trade receivables. This concerns partly specific and partly general loss provisions that are set up as soon as receivables are more than 60 days overdue, unless their collection is still deemed to be likely.

With respect to the credit risk arising from the other financial assets of the Group, including cash and cash equivalents, available-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 significant concentrations of credit risk within the Group. The Group has no clients that account for more than 10% of revenue.

The Group believes that all financial assets for which no impairment losses have been recognized can be collected in full, based on historical payment patterns and a thorough evaluation of the credit risk.

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 € 56.6 million at 31 December 2013 (2012: € 63.7 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.

Capital management

Board of Directors' 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 profit divided by equity, excluding non-controlling interests. The Board of Directors also monitors the level of the dividend payable to the shareholders.

The Board of Directors seeks a balance between, on the one hand, the higher return that is potentially available with a higher level of borrowing, and, on the other hand, 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 own shares were purchased 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.

The Board of Directors takes decisions with regard to the purchase of treasury shares for each specific transaction.

The Board of Directors believed that the ratios of net financial debt to equity and net financial debt to EBITDA were at risk of becoming too low as from mid 2010 and therefore proposed to the General Meeting the reduction of share capital and the purchase of treasury shares 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 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 were cancelled in 2012. 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. Under the new authorization to the Board of Directors on 19 October 2012, a new share buy-back program was launched in 2013 to buy back 300 000 shares. In 2013, 276 492 shares were bought back. On 18 December 2013 the Board of Directors decided to cancel 273 854 shares. At the end of 2013 the Group held 300 523 treasury shares: 2 638 for cancellation and 297 885 to cover options.

FINANCIAL INSTRUMENTS

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 (rollover credit). Repayment of part of this credit is accelerated: € 15.0 million falls due in 2015 and € 15.0 million in 2016. No securities were provided. Only a number of conditions apply with regard to the sale or provision as security of certain of the Group's assets to a third party.

This agreement contains certain financial covenants, including a maximum leverage ratio, a minimum interest coverage and a minimum solvency ratio, as well as a number of potentially restrictive undertakings limiting or preventing specific business transactions. All these covenants were attained in 2013, as they were in 2012.

At 31 December 2013 € 8.0 million of this credit had been taken up (2012: € 0.0 million).

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

Under the Term and Revolving Facilities Agreement (€ 175.0 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 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 late 2010 a sale and leaseback agreement was concluded for an amount up to € 17.5 million. Under this agreement Kinopolis sells tangible fixed assets and leases them back for a term of six years. This facility provides an additional alternative to long-term bank financing. At 31 December 2013 € 8.0 million was outstanding (2012: € 9.9 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.

In the autumn of 2009 a Commercial Paper program was issued with a maximum value of € 50.0 million for short-term financing purposes. At 31 December 2013 € 17.0 million had been taken up (2012: € 35.5 million). 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.



Financial liabilities – contractual cash flows

The following table gives an overview of the contractual maturities of

the financial liabilities at 31 December 2013, including the estimated interest payments.

| IN '000 € | < 1 YEAR 2013 | 1-5 YEARS 2013 | > 5 YEARS 2013 | TOTAL 2013 |
|---|------------------|-------------------|-------------------|----------------|
| Non-derivative financial liabilities | | | | |
| Trade payables | 47 444 | | | 47 444 |
| Loans and borrowings with credit institutions | 98 | 8 225 | | 8 323 |
| Commercial Paper | 17 000 | | | 17 000 |
| Bond | 3 563 | 14 250 | 78 562 | 96 375 |
| Finance lease liabilities | 2 591 | 5 870 | 49 | 8 510 |
| Tax shelter liabilities | 200 | | | 200 |
| Third party current account payables | 43 | | | 43 |
| Bank overdrafts | 581 | | | 581 |
| Financial derivatives | | | | |
| Interest rate swaps | 28 | | | 28 |
| Foreign exchange forward contracts | | | | |
| - Outflow | 1 334 | | | 1 334 |
| - Inflow | -1 305 | | | -1 305 |
| TOTAL | 71 577 | 28 345 | 78 611 | 178 533 |

| IN '000 € | < 1 YEAR 2012 | 1-5 YEARS 2012 | > 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 liabilities | 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 respect of interest-bearing loans and borrowings with a variable interest rate, the following table shows the periods in which they reprice.

| IN '000 € | 2012 | | 2013 | |
|---|---------------|---------------|---------------|---------------|
| | TOTAL | < 1 YEAR | TOTAL | < 1 YEAR |
| Loans and borrowings with credit institutions | | | 8 000 | 8 000 |
| Bank overdrafts | 42 | 42 | 581 | 581 |
| Commercial Paper | 35 499 | 35 499 | 17 000 | 17 000 |
| TOTAL | 35 541 | 35 541 | 25 581 | 25 581 |

Hedging activities

The Group uses derivative financial instruments to hedge the interest rate risk. All derivative financial instruments are measured at fair value. The following table gives the remaining term of the outstand-

ing derivative financial instruments at closing date. The amounts given in this table are the notional amounts.

| IN '000 € | < 1 YEAR 2013 | 1-5 YEARS 2013 | > 5 YEARS 2013 | TOTAL 2013 |
|------------------------------------|------------------|-------------------|-------------------|---------------|
| Interest | | | | |
| Interest rate swaps | 5 000 | | | 5 000 |
| Foreign currency | | | | |
| Foreign exchange forward contracts | 1 800 | | | 1 800 |

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

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 following table discloses the clean fair value and the carrying amount of the main interest-bearing financial loans and borrowings (measured at amortized cost).

| IN '000 € | CARRYING AMOUNT | | FAIR VALUE | |
|---|-----------------|----------------|----------------|----------------|
| | 2012 | 2013 | 2012 | 2013 |
| Public bond – fixed interest rate | 75 000 | 75 000 | 79 501 | 79 128 |
| Transaction costs refinancing | -956 | -747 | -956 | -747 |
| Lease liabilities – fixed interest rate | 9 855 | 7 996 | 10 065 | 8 060 |
| Interest-bearing loans – variable interest rate | 35 499 | 25 000 | 35 499 | 25 000 |
| Bank overdrafts | 42 | 581 | 42 | 581 |
| TOTAL | 119 440 | 107 830 | 124 151 | 112 022 |

The fair value of the public bond with fixed interest rate was measured by discounting the future cash flows based on an interest rate of 3.71% (2012: 3.76%).

An interest rate of 3.13% (2012: 2.73%) was used to measure the fair value of the lease liabilities by discounting the future cash flows.

The fair value of the other non-derivative financial assets (loans and

borrowings) and liabilities (measured at amortized cost) is equal to the carrying amount.

The following table gives the nominal or contractual amounts and the clean fair value of all outstanding derivative financial instruments (cash flow hedging instruments). The nominal or contractual amounts reflect the volume of the derivative financial instruments outstanding at the balance sheet date. As such they represent the Group's risk on these transactions.

| IN '000 € | NOMINAL OR CONTRACTUAL AMOUNT | | FAIR VALUE | |
|------------------------------------|-------------------------------|--------------|-------------|------------|
| | 2012 | 2013 | 2012 | 2013 |
| Interest | | | | |
| Interest rate swaps | 35 000 | 5 000 | -634 | -31 |
| Foreign currency | | | | |
| Foreign exchange forward contracts | | 1 800 | | -29 |
| TOTAL | 35 000 | 6 800 | -634 | -60 |

The fair value of interest rate swaps 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 instruments.

At 31 December 2013 there was one outstanding interest rate swap remaining with maturity on 30 March 2014. The fair value of this interest rate swap was measured as being the future cash flow at 30 March 2014.

The fair value of foreign exchange forward contracts is calculated as the discounted value of the difference between the value of these contracts based on the exchange rate at the balance sheet date and the contract value based on the forward exchange rates at the same time.

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

| IN '000 € | ASSETS | | LIABILITIES | | NET CARRYING AMOUNT | |
|--------------|--------|------|-------------|------------|---------------------|------------|
| | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 |
| Non-current | | | -144 | | -144 | |
| Current | | | -490 | -60 | -490 | -60 |
| TOTAL | | | -634 | -60 | -634 | -60 |



Fair value hierarchy

The table below provides an overview of the 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 € | 2012 | | | 2013 | | |
|------------------------------------|---------|-------------|---------|---------|------------|---------|
| | LEVEL 1 | LEVEL 2 | LEVEL 3 | LEVEL 1 | LEVEL 2 | LEVEL 3 |
| Cash flow hedging | | | | | | |
| Interest | | | | | | |
| Interest rate swaps | | -634 | | | -31 | |
| Currency | | | | | | |
| Foreign exchange forward contracts | | | | | -29 | |
| TOTAL | | -634 | | | -60 | |

25. Operating leases

Leases as Lessee

Non-cancellable operating lease rentals are payable as follows:

| IN '000 € | 2012 | 2013 |
|---|---------------|---------------|
| Less than one year | 4 461 | 4 525 |
| Between one and five years | 12 051 | 13 038 |
| More than five years | 12 849 | 10 653 |
| TOTAL | 29 361 | 28 216 |
| Minimum lease payments in the income statement with regard to operating leases | 4 783 | 4 855 |
| Contingent lease payments in the income statement with regard to operating leases | 210 | 199 |

The multiplex in Valencia (Spain) is leased for a period 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.

The Group also leases the complex in the centre of Nîmes (France) and a complex in the centre of Liège (Belgium). The term of these leases is nine years (renewable). A fixed rent is always charged.

The Group also leases the land on which a number of complexes have been built and the adjacent car park for a remaining period of 15 years in Belgium and 49 years in France (long lease construction). The paid rent is partly fixed and partly variable, based on the number of tickets sold.

A number of car parks are also leased in Belgium for a period of 1 to 26 years (renewable). A fixed rent is always charged.

The Group also leases office space for a period of nine years (renewable). The rent is always fixed.

Finally, the Group leases cars for some of its employees. These contracts have a term of 3 to 5 years (sometimes renewable). All lease sums are fixed.

Leases 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 € | 2012 | 2013 |
|---|---------------|---------------|
| Less than one year | 6 097 | 5 710 |
| Between one and five years | 9 250 | 8 525 |
| More than five years | 2 057 | 2 026 |
| TOTAL | 17 404 | 16 261 |
| Minimum lease payments in the income statement with regard to operating leases | 6 742 | 6 881 |
| Contingent lease payments in the income statement with regard to operating leases | 142 | 120 |

The leases as lessor primarily concern the multiplex in Poznan (Poland) leased to Cinema City since January 2007 for a term of ten years (renewable 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 € 0.0 million in 2013 (2012: € 0.1 million).

The Group also leases part of its complexes to third parties for the exploitation of shops or cafes. These concessions have a term of 3 to 36 years (renewable). A fixed rent is always charged.

Finally, the car parks of a number of multiplexes are leased for a period of 1 to 15 years (renewable) in Belgium and for an indefinite term 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 number of sold parking tickets, adjusted for management costs.

26. Capital commitments

At the end of 2013 the Group had material capital commitments for € 2.1 million (2012: none). These are commitments relating to the construction of a children's playground of 1 000 m² at the Kinopolis

multiplex in Madrid (Spain), which will open in spring 2014, the second part of the renovation of the complex in Leuven (Belgium) and the investments in a new front office software for the Group.

27. Contingencies

- ★ Purchase option granted to a third party on land in Valencia next to Kinopolis Paterna (Spain);
- ★ After the cancellation on 30 September 2008 of the planning permit for the Kinopolis multiplex in Ostend, a new planning permit was issued in 2013;

- ★ At the end of 2013 the Group had contingencies for € 1.6 million. These are minimum guarantee commitments of Kinopolis Film Distribution NV toward Dutch Filmworks BV for films that were not yet released, but for which contractual obligations already exist.

28. 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 € | 2012 | 2013 |
|----------------------------------|-------|-------|
| Directors | | |
| Remuneration | 312 | 327 |
| Executive officers (CEOs) | | |
| Short-term employee benefits | 1 390 | 1 473 |
| Share-based payments | 176 | 122 |
| Group insurance | 10 | 10 |

The CEOs and the Chairman of the Board of Directors took part in the 2007-2016 Group Share Option Plan (Incentive Plan) (see Note 20)

(207 924 options in 2013 and 2012). At 31 December 2013, 129 953 of these options were exercisable.

Transactions with other related parties:

- ★ Kinohold BIS SA provides certain administrative services to the Group, charging a market rate of € 0.4 million in 2013, € 0.0 million of which was not yet paid at 31 December 2013;
- ★ Pentascoop NV provides a number of maintenance and transport services to the Group, charging a market rate of € 0.3 million in 2013, € 0.1 million of which was not yet paid at 31 December 2013.

29. Subsequent events

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



30. Group entities

List of fully consolidated companies

| COUNTRY | NAME | MUNICIPALITY | VAT OR ENTERPRISE NUMBER | % 2012 | % 2013 |
|-------------|---|--------------------|--------------------------|--------|--------|
| Belgium | CINEPROJECTS NV | Brussels | BE 0816 884 015 | 100 | 100 |
| | Brightfish NV | Brussels | BE 0450 523 725 | 100 | 100 |
| | Decatron NV ⁽¹⁾ | Brussels | BE 0424 519 114 | 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 | Lomme | FR 02340483221 | 100 | 100 |
| | Forum Kinepolis SA | Nîmes | FR 86421038548 | 100 | 100 |
| | Kinepolis France SA | Lomme | FR 20399716083 | 100 | 100 |
| | Kinepolis Film Distribution France SASU | Lomme | FR 43789848280 | 100 | 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 ⁽²⁾ | Middelburg | NL 807760420B01 | 100 | |
| Poland | Kinepolis Poznan Sp.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 |

(1) Merged with Kinepolis Group NV in 2013

(2) Liquidated in 2013

31. 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 € | 2012 | 2013 |
|--|----------------|----------------|
| Remuneration of the statutory auditor | 304 669 | 276 800 |
| Other audit-related services | 58 775 | 3 000 |
| Tax services | | |
| Other | 3 000 | |
| Remuneration for other services or assignments performed within the Company and its subsidiaries by the statutory auditor | 61 775 | 3 000 |
| Remuneration for persons associated to the statutory auditor for the performance of a mandate as statutory auditor | 131 682 | 119 200 |
| Other audit-related services | 2 400 | 5 000 |
| Tax services | 18 125 | 59 836 |
| Other | | |
| Remuneration for other services or assignments performed within the Company and its subsidiaries by persons associated to the statutory auditor | 20 525 | 64 836 |
| TOTAL | 518 651 | 463 836 |



Statutory auditor's report to the general meeting of Kinopolis Group NV for the year ended 31 December 2013

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

In accordance with the legal requirements, we report to you in the context of our statutory auditor's mandate. This report includes our report on the consolidated financial statements as of and for the year ended 31 December 2013, as defined below, as well as our report on other legal and regulatory requirements.

Report on the consolidated financial statements - unqualified opinion

We have audited the consolidated financial statements of Kinopolis 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 2013 and the consolidated income statement and the consolidated statements of profit or loss and other 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 € 310 311 (000) and the consolidated statement of comprehensive income shows a profit for the year of € 37 541 (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 preparation 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 2013 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 context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statements 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 respects, 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 2014

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 the Belgian accounting principles. These unconsolidated financial statements, together with the management 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.

Since Kinopolis Group NV is essentially a holding company that accounts for its investments at cost in its unconsolidated statements, these separate financial statements only give a limited view of the financial position of Kinopolis Group NV. Therefore the Board of Directors has deemed it appropriate to present only a condensed unconsolidated balance sheet and income statement, prepared according to the Belgian accounting principles for the year ended 31 December 2013.

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 the Belgian accounting principles for the year ended 31 December 2013, 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 the Nationale Bank van België (NBB.be), in section "Balanscentrale", subsection "Jaarrekeningen raadplegen" or requested free of charge from Investor Relations.

Condensed unconsolidated balance sheet of Kinopolis Group NV

| IN '000 € | 2012 | 2013 |
|--|----------------|----------------|
| Non-current assets | 237 115 | 243 325 |
| Intangible assets | 1 533 | 2 331 |
| Property, plant and equipment | 10 189 | 9 002 |
| Financial fixed assets | 225 393 | 231 992 |
| Current assets | 20 363 | 35 147 |
| TOTAL ASSETS | 257 478 | 278 472 |
| Equity | 64 666 | 64 420 |
| Issued capital | 18 952 | 18 952 |
| Share premium | 1 154 | 1 154 |
| Legal reserve | 4 896 | 4 896 |
| Unavailable reserves | 7 676 | 7 616 |
| Available reserves | 4 049 | 4 049 |
| Profit carried forward | 27 939 | 27 753 |
| Provisions and deferred taxes | 480 | 327 |
| Non-current loans and borrowings | 123 589 | 159 131 |
| Current loans and borrowings | 63 162 | 49 256 |
| Accrued charges and deferred income | 5 581 | 5 338 |
| TOTAL EQUITY AND LIABILITIES | 257 478 | 278 472 |

Condensed unconsolidated income statement of Kinopolis Group NV

| IN '000 € | 2012 | 2013 |
|--|---------------|---------------|
| Operating income | 68 064 | 73 356 |
| Operating expenses | -31 068 | -33 193 |
| OPERATING PROFIT | 36 996 | 40 163 |
| Financial result | 42 757 | 14 759 |
| Extraordinary result | 500 | -255 |
| Current tax expenses | -4 573 | -9 528 |
| GAIN/(LOSS) FROM THE FINANCIAL YEAR FOR APPROPRIATION | 75 680 | 45 139 |

Profit appropriation of Kinopolis Group NV

| IN '000 € | 2012 | 2013 |
|--|--------|--------|
| Gain/(loss) from the fiscal year to be appropriated | 75 680 | 45 139 |
| Profit carrying forward from previous financial year | 13 220 | 27 938 |
| Addition to equity: | 47 876 | 28 477 |
| - To other reserves | 47 876 | 28 477 |
| Profit to be carried forward | 27 939 | 27 753 |
| Dividend | 13 085 | 16 847 |

Mandates and remuneration of the Statutory Auditor at Kinopolis Group NV

The remuneration of the statutory auditor was € 152 025 for 2013 (2012: € 156 832). In 2013 the statutory auditor did not perform any non-auditing assignments (2012: € 3 000) nor other auditing assignments (2012: € 58 775).

Persons with whom the statutory auditor has a professional relationship charged Kinopolis Group NV € 59 836 for tax advice (2012: € 18 125).





Glossary

Gross profit

Revenue – Cost of sales

Operating profit (EBIT)

Gross profit – marketing and selling expenses - administrative expenses + other operating income - other operating expenses

Current operating profit (REBIT)

Operating profit after elimination of 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)

Capital expenditure

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 capital expenditures for intangible assets, property, plant and equipment and investment property – interest paid





Financial calendar 2014-2015

| | | |
|---|---|---|
| <p>Thursday</p> <p>15</p> <p>May 2014</p> <p>---</p> <p>PUBLICATION BUSINESS UPDATE Q1 2014</p> <p>---</p> | <p>Friday</p> <p>16</p> <p>May 2014</p> <p>---</p> <p>GENERAL MEETING KINEPOLIS GROUP NV</p> <p>---</p> | <p>Monday</p> <p>2</p> <p>June 2014</p> <p>---</p> <p>DIVIDEND PAYMENT</p> <p>---</p> |
| <p>Thursday</p> <p>28</p> <p>August 2014</p> <p>---</p> <p>PUBLICATION H1 2014 RESULT PRESENTATION TO PRESS AND ANALYSTS</p> <p>---</p> | <p>Friday</p> <p>14</p> <p>November 2014</p> <p>---</p> <p>PUBLICATION BUSINESS UPDATE Q3 2014</p> <p>---</p> | <p>Thursday</p> <p>19</p> <p>February 2015</p> <p>---</p> <p>PUBLICATION OF 2014 ANNUAL RESULTS - PRESENTATION TO PRESS AND ANALYSTS</p> <p>---</p> |

These dates are subject to change.

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



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Investor Relations website: www.kinopolis.com/investors

Creation: www.linknv.be

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







<http://investors.kinepolis.com>