Summary

Kinepolis and Music

Live performance of 'Orfeo' relayed live to Kinepolis from the prestigious Metropolitan Opera House in New York.

01 Kinepolis at a glance

Kinepolis is a source of relaxation and contemporary entertainment for all age groups through its network of movie theatres.

The Kinepolis concept is characterised by a constant drive to innovate and focus on customers. In terms of technology, in past years this has resulted in the digitisation of the motion picture medium and the development of 3D cinema. In terms of content, Kinepolis now programmes an original mix of traditional movies and sports, cultural and social events.

KINEPOLIS IN EUROPE

COUNTRY	MULTIPLEXES	SCREENS	EMPLOYEES*
Belgium	11	138	613
France	7	87	382
Spain	3	64	338
Poland	1	20	1
Switzerland	1	8	49
TOTAL	**23**	**317**	**1 383**

(*) average number of employee contracts in 2008

Since forming in 1997 and the initial public offering in 1998, Kinepolis has grown into market leader in Belgium and trendsetter in Europe.

Kinepolis runs 23 multiplex cinemas in Belgium, France, Spain, Poland and Switzerland. Kinepolis employs almost 1400 people and welcomed 21.9 million paying customers in 2008. Revenue in 2008 was € 216.9m.

Kinepolis and Music

'The Red Piano', Elton John's show in Paris, was beamed live in high definition to a string of Kinepolis cinemas in Europe.

02 Kinepolis, Fiscal 2008

Letter to shareholders

Dear shareholders,

Kinepolis Group performed strongly in uncertain economic conditions in 2008. Despite a slight fall in the number of admissions to 21.9 million (-0.8%), turnover rose to € 216.8 million (+2.1%), recurring operating profit (EBIT) rose to € 28.7 million (+16.2%) and recurring net profit rose to € 15.2 million (+22.2%). At the same time, there was again heavy investment (€ 12.6 million) in the further digitisation and modernisation of our cinemas and our new financial debt position was reduced by € 10 million to € 129.2 million, cutting our net financial debt/EBITDA ratio to 2.46.

Eddy Duquenne, Philip Ghekiere and Joost Bert

These excellent performances are the result of the indefatigable efforts of our employees and a policy firmly founded on operational excellence, permanent innovation in products, services and customer experience, optimal property management and conservative financial management.

Our share price did, however, suffer from the general slump on financial markets as a consequence of an unprecedented financial crisis that exploded in the autumn of 2008. We are convinced that our price share will rally when confidence in financial markets in restored.

In recognition of the trust shown by our shareholders, the Board of Directors will propose to the General Meeting that we maintain for the fifth year in a row our payout ratio of 30%, resulting in a gross dividend of € 0.66 per share.

2008 was also a year of great change for the internal organisation.

Eddy Duquenne was brought in as joint CEO to strengthen the group's management.

The organisation was restructured, based on a desire to shorten lines of communication and invest budget owners with more responsibility.

A new management reporting system and a new bonus system were introduced. Our B2B and real estate departments were strengthened.

These are the building blocks for the implementation of our strategic vision for the future.

Kinepolis Group aspires to be:

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

The implementation of this strategic vision over the next few years will be the basis for the creation of sustained shareholder value.

The movie year 2008 was characterised by a selection of blockbusters, including *Bienvenue chez les Ch'tis* from France and the Flemish production *Loft*. Our initiatives to attract a broader audience by programming art-house movies and alternative content, like Opera in the Cinema, experienced increasing success and will be continued.

The continued digitisation of our multiplexes brings unparalleled picture quality to more moviegoers, while also opening the gates to a whole array of multimedia possibilities, such as concerts, sports, corporate seminars, product launches and other business events.

The utilisation and monetisation of our property portfolio is beginning to reap rewards. These include the construction of apartment blocks on our Gent site and the strikingly high occupancy of our business spaces.

We view the future with confidence, in spite of the uncertain economic situation and the challenges we face.

For movie fans that want to escape their day-to-day worries, the magic of the cinema continues to be an affordable source of relaxation.

2009 promises to be an exciting year at the movies, with big draws like *Harry Potter and the Half-blood Prince* and *Ice Age 3*. It is also expected to be the 3D cinema's breakout year, with such features as *Bolt*, *Ice Age 3*, *Avatar* and *UP*.

The year is filled with such local productions as the promising *Dossier K* in the Dutch-speaking part of Belgium, *De l'autre côté du lit* and *Coco* in France and *Los abrazos rotos* in Spain.

We would like to thank our 1400 enthusiastic employees for their commitment. They always give our customers a warm welcome and an unforgettable evening at every one of our 23 multiplexes.

Thanks are also due to the 21.9 million people who chose to enjoy themselves at Kinepolis in 2008. We hope to see them again in 2009 and give them an experience they will want to repeat.

Lastly, we would like to thank our shareholders for their continued support in these turbulent times. We are determined not to let them down

Joost Bert
Chief Executive Officer

Eddy Duquenne
Chief Executive Officer

Philip Ghekiere
Chairman of the Board of Directors

Key events in 2008

May 2008
Board of Directors

The General Meeting of May 2008 appointed Marc Van Heddeghem and Geert Vanderstappen as independent directors. The decision fits in with the goals of Kinepolis to strengthen its policy-making bodies through the introduction of professional directors from outside the group.

On 17 May Philip Ghekiere, the representative of the reference shareholders, succeeded Hugo Vandamme as chairman of the Board of Directors.

Autumn 2008
Kinepolis Gent development project

Kinepolis began building work in partnership with Blijweert Group as part of an initiative to upgrade the immediate vicinity of Kinepolis Gent. The entrance to Kinepolis Gent will be fully renovated and 88 homes built next to the cinema. The new foyer will open in the autumn of 2009.

October 2008
Belgian Competition Authority

On 1 October the Belgian Competition Authority reversed its decision to lift all conditions imposed on Kinepolis during the 1997 merger of Bert Goup and Claeys Group.

The Belgian Competition Authority now says that its prior permission is no longer needed in the event of expansion or replacement of existing Belgian branches. Until 30 September 2011 plans to build or acquire cinemas do still need to be formally submitted for evaluation.

Two multiplex chains (UGC and Multiscope Palace) joined with the Belgian cinema federation FCB to ask the Court of Appeal to suspend and quash this decision.

Management Report

Kinepolis Group ended 2008 with revenue of € 216.9m, EBITDA(1) of € 52.6m and operating profit of € 28.7m. Net profit was € 15.2m, a rise of 3.1% on the 2007 figure.

Recurring(2) net profit in 2008 was € 15.2m, a rise of 22.2% on the 2007 figure (€ 12.5m).

Revenues

Revenue in fiscal 2008 was € 216.9m, a rise of 2.1% on the 2007 figure (€ 212.3m).

- Income from ticket sales rose by 3%. The fall in admissions was offset by the rise in average ticket price (due among other things to the success of digital cinema) and average spend per admission. Ticket sales accounted for 59% of total revenue, which is the same as 2007.
- Revenue from food, beverages and retail rose by 1%.
- Business-to-business activities in the cinema environment continued to grow. Revenue from events, screen advertising and other rose by 2%.
- The revenues of the movie distribution department (KFD) in 2008 were driven by the success of *Untraceable*, *Bangkok Dangerous*, 3D movie *Fly me to the Moon* and a number of local productions, such as *Aanrijding in Moscou*, *Anubis – het Pad der 7 Zonden* and *Samson en Gert – Hotel op Stelten*.

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

(2) After elimination of non-recurring transactions, including for 2007 the transfer of cinema operations at the Polish facility in 2007, and the tax benefit of the liquidation of a subsidiary and the lowering of the corporate tax rate in Spain.

- Property income rose by 2%. Business rental income, which constitutes a significant share of property income, rose by 7%.

Admissions

Kinepolis Group welcomed 21.9 million paying customers to its multiplex cinemas across Europe in the year under review, down 0.8% on the 2007 figure (22.0 million).

Kinepolis generated favourable profits bearing in mind the delayed release of Harry Potter and the Half-Blood Prince until 2009. The large proportion of local movie hits is striking. The French film *Bienvenue chez les Ch'tis* sold more than a million tickets, while *Astérix aux Jeux Olympiques* also attracted a huge number of visitors. Flemish productions *Loft* and *Aanrijding in Moscou* broke national and regional records respectively in Belgium.

EBITDA

EBITDA rose by 6.1% in 2008 to € 52.6m (2007: € 49.6m).

Recurring EBITDA in 2008 was € 52.6m, a rise of 8.7% (2007: € 48.4m).

The beefed-up digital movie programme, increased beverage and snack sales, a rise in business-to-business activities and an efficient cost control strategy amply covered the financial impact of reduced admissions.

Sales and marketing costs fell by € 1.1m in 2008. The impact of non-recurring items was limited in 2008.

Operating profit (EBIT)

Operating profit in fiscal 2008 was € 28.8m, compared with € 25.1m in 2007, a rise of 8.7%. Recurring EBIT was € 28.8m, a rise of 16.2% (2007: € 24.8m).

Depreciation and amortisation in 2008 (€ 23.8m) was comparable to the 2007 figure (€ 23.6m), in spite of the investment in the new multiplex in Ostend, which opened its doors on 8 July 2007.

Net finance expense

A conservative financial policy focused on reducing debt was pursued in 2008, with an eye to the crisis on the financial markets. The net financial debt (NFD) fell by 6.9% in 2008 (from € 138.9m at 31/12/07 to € 129.2m at 31/12/08), resulting in an NFD / EBITDA ratio of 2.46.

Kinepolis has taken out a syndicated loan that runs until 2014, based on fixed, confirmed long-term lines of credit with a limited annual repayment of € 14m.

As part of this conservative financial policy, since 2008 Kinepolis uses only derivative financial instruments whose movements in fair values are offset directly against equity and have no impact on annual profit (hedge accounting).

Until the end of 2007 the movement in the fair value of the used derivative financial instruments to hedge the interest risk was largely recognised in profit. Equity fell by € 3.5m in 2008 as a result of this change in policy.

The relatively low debt in combination with the solid balance sheet structure of Kinepolis (carrying value of property: € 227.4m) emphasises the management's conservative approach to debt financing.

Net finance expense in 2008 was € -8.4m (2007: € -6.9m). This mainly consists of interest on financial debts, exchange rate losses and the losses in derivative financial instruments (hedges of interest and exchange rate fluctuations). The rise in financial costs was due to higher market interest rates and new interest hedges.

Profit before tax

Profit before tax was € 20.3m (2007: € 18.2m), a rise of 11.4%.

Net profit

Net profit was € 15.2m (2007: € 14.7m), a rise of 3.1%. Recurring net profit was € 15.2m, a rise of 22.2% (2007: € 12.5m).

As a consequence of higher profit before tax, tax was € 5.1m (2007: € 3.5m). The tax burden in 2007 was positively impacted by a number of non-recurrent items (including the tax benefit on the liquidation of a subsidiary and the fall in Spain's tax rate).

Balance sheet and cash flow analysis

Property, plant and equipment, including those available for sale (€ 250.5m) made up 71% of the balance sheet total at 31/12/2008. This includes land and buildings (including those available for sale and property investment) with a carrying value of € 227.4m.

At 31/12/2008 equity was € 117.3m or 33.3% of the balance sheet total, a 2.1% increase in solvency compared with 31/12/2007.

Net cash flows from operating activities were € 32.4m (2007: € 36.6m). This fall is largely attributable to the reduction in trade and other debts.

In 2008 investments in new property, plant and equipment totalled € 12.6m. This is substantially less than the 2007 figure (€ 32.8m). The difference is largely explained by the investment in the new multiplex in Ostend, Belgium, which opened on 8 July 2007.

SHAREHOLDER STRUCTURE AT 31/03/09 BASED ON THE RECEIVED TRANSPARENCY DECLARATIONS

SHAREHOLDER	NUMBER OF SHARES	%
Kinohold BIS and Mr Joost Bert	2 426 638	35.01
Kinepolis Group nv	277 231	4.00
Free float of which:	4 226 909	60.99
- Bestinver Gestion	917 690	13.24
- Axa sa	707 947	10.21
- Axa Investment Managers	280 971	4.05
- Quaeroq cvba	210 000	3.03
TOTAAL	**6 930 778**	**100%**

Prospects

2009 promises to be an exciting year at the movies, with such blockbusters as *Harry Potter and the Half-Blood Prince* and *Ice Age 3*. It is also going to be the year in which 3D digital cinema breaks into the mainstream, including *Bolt*, *Ice Age 3*, *Avatar* and *Up*. Local cinema is gaining in popularity, too. The pipeline includes *Dossier K* (the sequel to *De Zaak Alzheimer*) in Dutch-speaking Belgium, *De l'autre côté du lit*, *Le code a changé* and *Coco* in France and French-speaking Belgium, and *Los abrazos rotos*, *Agora* and *REC 2* in Spain.

The successful *Opera in de Cinema* series, which has brought thousands of opera-lovers to movie theatres, will continue in 2009. Kinepolis will also launch numerous new initiatives relating to sports, music, TV series and documentaries.

Key events after the end of the fiscal year

January 2009
Sale of minority stake in CinemaxX

On 26 January Kinepolis Group nv sold its 12.61% minority stake (3 million shares) in German cinema group CinemaxX AG to H+Z Beteiligungs GmbH at a price of € 1.00 per share. Payment will be made in three instalments and a tranche of shares will be transferred each time. The first instalment is due on 30 January, the second on 30 April, the third on 31 July 2009.

The transaction will generate profit for Kinepolis Group nv in fiscal 2009 equal to the sale price (€ 3m), because the stake was fully amortized in 2001.

March 2009
Henk Rogiers appointed CFO

Henk Rogiers has been appointed Chief Financial Officer of Kinepolis Group as of May 2009. He will succeed Jan Staelens, who remains as CFO until 15 March.

Until the end of April 2009 Henk Rogiers continued as Director of KPMG CFO Advisory, where he headed up Corporate Performance Management (CPM) and Controlling. In that capacity he acted as advisor to various listed multinationals that are working on improving their auditing, financial management and CPM processes. In the past he has been financial director for Europe at Graphic Packaging International, a listed US corporation, and Numetrix Group, a Canadian software business.

Amendments to the articles of association

The Extraordinary General Meeting of 12 February 2008 renewed for a term of 18 months the authority given to the Board of Directors in accordance with the articles of association to buy back shares for the purposes of hedging the options provided for in the Share Option Plan 2007-2016 approved by the Board of Directors in 2008.

Research and development

Kinepolis Group does not conduct any research or development.

Capital

Authorised capital at 31/12/2008 was € 48 962 557.15, represented by 6 930 778 shares without nominal value, which all give the same rights to holders.

The authority of the Board of Directors to increase the authorised capital in one or more instalments by up to € 48 883 132.15 was renewed by the Extraordinary General Meeting of 18 May 2007 for a term of five years, ending 7 June 2012. The authority to increase the authorised capital after the announcement of a public acquisition bid was also renewed by the Extraordinary General Meeting of 18 May 2007 for a term of three years, commencing on the date of publication of the deed of amendment to the articles of association and ending on 17 May 2010.

Share buybacks

In 2008 a total number of 180 000 shares were bought back at a total price of € 4 464 649.51, pursuant to a discretionary power granted by the Board of Directors to Bank Degroof under the conditions of transitional stipulation #2 of the articles of association. No shares were sold.

On 31 December 2008 Kinepolis Group nv held 211 118 shares in all, representing 3.05% of the total number of shares and a capital value of € 1 490 493.

Use of financial instruments

As a multinational, Kinepolis is exposed to various types of financial risk, including exchange rate risk and interest rate risk.

Kinepolis endeavours to minimise the negative impact on financial profit by using financial instruments to hedge risks as part of a global risk management strategy.

Kinepolis manages its debts by combining short-, medium- and long-term borrowings. The mix of debts with fixed and floating interest is established at group level. At the end of December 2008 the group's net financial debt was € 129m. Kinepolis has concluded interest swaps and interest options to manage the risk of interest fluctuations. These interest hedges totalled € 102m on 31 December 2008.

Statements under Belgium's acquisitions legislation

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

The articles of association state that eight directors are to be appointed from the candidates nominated by Kinohold Bis, a limited liability company governed by the law of Luxembourg. This rule applies insofar as Kinohold Bis or its successors, as well as all entities directly or indirectly controlled by any of them or any of their successors (in the sense of Article 11 of the Companies Code) holds, individually or collectively, no less than 35% of the company's shares at the time of nomination or appointment by the General Meeting. If Kinohold Bis or its successors, as well as all entities directly or indirectly controlled by any of them or any of their successors (in the sense of Article 11 of the Companies Code) represents less that 35% of the company's capital, Kinohold Bis or its successors shall only be entitled to nominate candidates for a seat on the Board of Directors for each tranche of shares representing 5% of the company's capital.

If the above condition with regard to shareholding is met, the General Meeting must appoint candidates to the corresponding number of seats on the Board of Directors that are on the list of candidates nominated by Kinohold Bis sa, in accordance with the above stipulations.

Shareholder agreements
The company is not aware of any shareholder agreements that could restrict the transfer of securities or the exercise of voting rights in the context of a public acquisition bid.

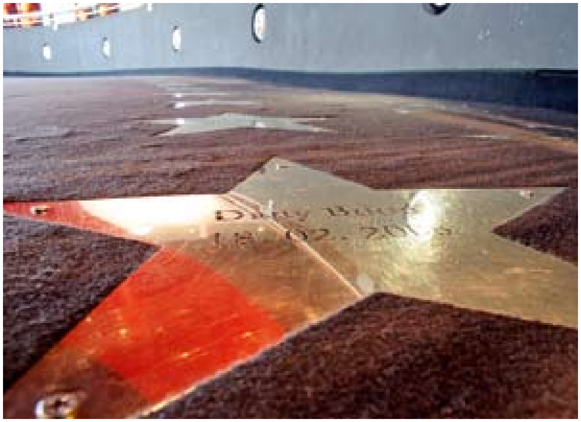
Share buyback powers of the Board of Directors
The Board of Directors was authorised by the General Meeting of 19 May 2006 to buy or sell shares of the company if such is deemed to be necessary to prevent an immanent serious threat to the company. This authority applies until 16 June 2009.

Change of control
Pursuant to the Term and Revolving Facilities Agreement concluded by Kinepolis Group nv and a syndicate of

financial institutions on 26 November 2004 and amended on 10 February 2006 and 13 July 2007 a participating financial institution may end its participation in this agreement. In this event, the corresponding part of the loan is immediately due and payable if natural or corporate persons other than Kinohold Bis and Stichting Administratiekantoor Kinohold acquire control of Kinepolis Group nv.

Received statements

Pursuant to Article 74 of the Public Acquisitions Bids Act of 1 April 2007, on 20 February 2008 Kinepolis Group nv received statements from the following persons acting by mutual agreement (either because they are 'affiliated persons' in the sense of Article 11 of the Companies Code or they otherwise act in mutual agreement) and collectively holding more than 30% of the voting shares of Kinepolis Group nv: Kinepolis Group nv, Kinohold Bis sa, Stichting Administratiekantoor Kinohold, Marie-Suzanne Bert-Vereecke, Joost Bert, Koenraad Bert, Geert Bert and Peter Bert.



According to these statements:

- Kinohold Bis sa held 2 385 038 shares or 34.41% of the shares of the company; Kinohold Bis sa is controlled by Stichting Administratiekantoor Kinohold, which is governed by the law of the Netherlands, 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 also acts in mutual agreement with Joost Bert;
- Joost Bert held 41 600 shares or 0.6% of the shares of the company; Joost Bert acts in mutual agreement with Kinohold Bis sa;
- Kinepolis Group nv is controlled by Kinohold Bis sa; on 1 September 2007 Kinepolis Group nv held 31 118 or 0.45% of its own shares.

According to the statement of 29 August 2008 of Kinepolis Group nv, it held 141 768 of its own shares on 28 August 2008.

The number of treasury shares held as of today is 277 231.

Conflict of interests

On 27 February 2009 the Board of Directors took two decisions pursuant to Article 523 of the Companies Code.

These decisions relate to the following:

- The appointment of Mr Ghekiere as chairman of the Board of Directors and the establishment of his annual remuneration at € 85 000;
- The reappointment for a term of two years of nv HRV, always represented by Hugo Vandamme, as independent director and the establishment of his annual remuneration at € 112 500 for year one, which is deemed to be a

transitional year to Mr Ghekiere's chairmanship of the Board of Directors and € 22 500 for year two.

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

On 9 April 2008 the Board of Directors took two decisions pursuant to Article 523 of the Companies Code.

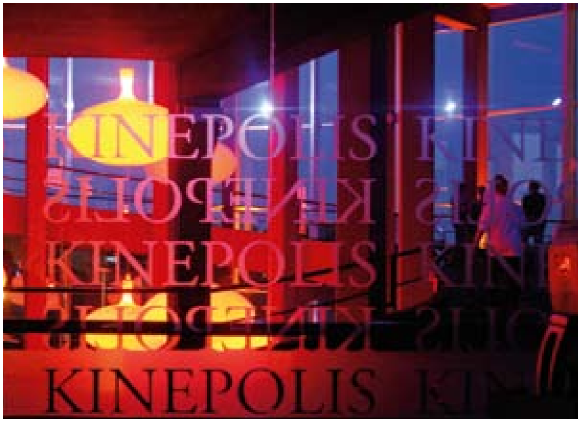
These decisions relate to the following:

- The establishment of Mr Joost Bert's annual remuneration as CEO at a fixed amount of € 300 000 and a variable amount of € 200 000 depending on quantitative and qualitative management targets;
- The establishment of the maximum variable remuneration for members of executive management for 2008 at no more than € 500 000, no more than € 300 000 of which is allocated on the basis of quantitative targets and € 200 000 of which is allocated on the basis of qualitative targets.

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

Conflicts of interest relating to transactions not covered by the legal regulations governing conflicts of interest

In addition to the regulations governing conflicts of interest provided for by the Companies Code, the Corporate Governance Charter states that all acts, points of view or interests that are contrary to or that give the impression of being contrary to the interests of Kinepolis Group nv must be avoided and that the company must be notified of the parties affiliated to the Board of Directors as well as any transactions with those affiliated parties. There were no such cases in 2008.



Auditing and accountancy knowledge

Geert Vanderstappen, who joined the Audit Committee in May 2008, has the appropriate auditing accountancy knowledge, as required by the new Article 526bis of the Companies Code.

Mr Vanderstappen acquired thorough financial expertise, first as corporate banker at Generale Bank (Fortis), Spector Photo Group, where he was CFO and member of the executive board in 1996, and as a managing partner of investment fund Buy-Out Fund cva (formed in 1999) and Pentahold nv (formed in 2006).

Principle risks and uncertainties

Kinepolis Group judges that the annual report and the annual financial statements provide a true and fair picture of its development and position and that no significant risks or uncertainties need to be disclosed.

However, in the pursuit of complete transparency, Kinepolis would like it to be known that on 30 September 2008 the Council of State declared null and void Ostend municipal council's decision of 23 December 2004 regarding the contracting of BPA Hippodroom and the Ostend municipal executive's decision of 24 July 2006 regarding the grant of an urban development permit for the construction of the Kinepolis multiplex in Ostend.

Ostend municipality has begun preparing a draft municipal spatial execution plan (GRUP) for this area to normalise Kinepolis Ostend's situation.

Lastly, the business in which Kinepolis operates is typified by such factors of uncertainty as to the quality and local character of screened movies, the specific cultural aspects of moviegoing and the climate in different countries. Kinepolis cannot directly influence these factors, but does manage the consequences through operational efficiency and flexibility in terms of staffing and the mix of activities.

Profit appropriation and dividend

In its proposal to the General 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.

Based on a payout ratio of 30%, it is proposed to pay out a gross dividend of € 0.66 per share for fiscal 2008. Subject to the approval of the General Meeting, the Board of Directors has decided to make the dividend available to shareholders through a financial institution of their choosing on 25 May 2009 upon presentation of coupon 9.

Unconsolidated annual financial statements of Kinepolis Group nv

The full version of the unconsolidated annual financial statements as well as additional reports can be read at www.kinepolis.com and be requested from investor-relations@kinepolis.com free of charge.

From the unconsolidated annual financial statements:

Profit from fiscal year for appropriation	- € 5 810 718
Profit carrying forward from previous fiscal year	€ 31 301 259
To the legal reserve	
To other reserves	€ 4 464 540
Profit to be carried forward	€ 16 629 240
Dividend	€ 4 396 762

Obligations regarding the periodic information pursuant to the transparency directive transposed on 1 January 2008

Undersigned declare that to the best of their knowledge:

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

Eddy Duquenne,
CEO

Joost Bert,
CEO

Kinepolis and Music

More wow at Kinepolis, this time U2 3D,
a concert in high-grade Dolby 3D Digital cinema.

03 Kinepolis, corporate profile

Mission statement

Kinepolis Group believes in a world of cinema, entertainment and experience in which individuals can choose when, where, how and with whom they enjoy themselves.

Kinepolis endeavours to provide its customers with original relaxation activities and high-quality business experiences, aiming for collective experiences exclusive to the Kinepolis environment.

To achieve this, Kinepolis explores innovation in many different fields to meet the changing needs of its customers.

Kinepolis endeavours to manage, expand and increase the value of its unique property position.

Kinepolis targets profitable growth in markets it has or aspires to a leading position.

Strategic highlights

Growth

Kinepolis aspires to achieve further growth as part of a cautious tailored growth policy that gives due consideration to economic conditions and to internal and external possibilities.

Total experience

Kinepolis endeavours to tailor its programming to the widest possible target group. The 'architects of the total Kinepolis experience' help to improve the customer experience, based on a focus on target groups, movie labels like Cinémanie, new marketing techniques, conceptual testing, economies of scale, synergy and more. Kinepolis is committed to utilising digital technologies to programme more high-quality events in a multimedia environment.

Property management

Land and buildings is an undeniable asset for Kinepolis. Kinepolis differs from most other cinema groups in that it owns more than 90% of the property it occupies. This gives Kinepolis the independence, freedom and flexibility to develop numerous innovative projects and concepts.

Alternative content

Kinepolis is aware that its possibilities extend far beyond screening traditional movies. Programming has been broadened extensively and adapted to customers of all ages. In addition to traditional movie screenings, Kinepolis also screens major musical events like concerts and operas, sports events and other events in its theatres – live or otherwise.

Organisation

Kinepolis restructured its organisation in 2008 to improve customer orientation, raise operational efficiency and optimise property utilisation and management.

The new flat organisation is characterised by shorter lines, allowing decisions to be taken faster, and a clear division of responsibilities and goals.

Group activities are now streamlined into five units. Real Estate is responsible for property management and utilisation. Cinema Operations takes care of activities in the multiplexes. Kinepolis Film Distribution (KFD) looks after movie distribution. Digital Cinema Services (DCS) delivers technological support. The Shared Services Center is occupied with admin services and support.

Permanent and ad hoc committees are established as needed to study specific issues. They are tasked with ensuring that information is shared between the various parts of the group and potential synergies are generated.

CEO'S

- Cinema Operations
- Real Estate
- Kinepolis Film Distribution
- Digital Cinema Services
- Shared Services Center

Innovation and diversification

Alternative content

Alternative content is the digital programming of events screened in Kinepolis cinemas – live or otherwise. That includes TV series, concerts, shows, sports events and much more. This innovative event-based programming – sometimes combined with traditional movie screenings – is experiencing exciting growth as more and more customers are hooked.

There were many musical highlights in 2008. U2 3D, a spectacular envelope-pushing concert film sold no fewer than 32 000 tickets in Belgium, France and Spain. It was the first-ever concert to be shot and screened in 3D and the results were amazing.

Other famous artists also gave some spectacular performances. One of them was Elton John, whose *Red Piano* show in Paris was beamed live to Kinepolis screens in Belgium, France and Spain.

In October 2008 the second live opera season premiered in Belgium and France. The New York Metropolitan Opera performances attracted even more customers than last year. The first edition in 2007-2008 was limited to a small selection of Kinepolis cinemas, but all Belgian and French multiplexes carried the whole Met season in 2008-2009. Kinepolis Spain also screened an opera taster in the form of a live broadcast of *Don Carlo* from Teatro alla Scala in Milan. Season ticket sales and business-to-business events for Opera in de Cinema were very successful.

Various TV series were premiered on the big screen. The highly praised Belgian series *De Smaak van de Keyser* was given a huge premiere at Kinepolis Hasselt, before being screened at all Flemish Kinepolis movie theatres in the presence of the cast and crew. The popular *FC De Kampioenen* was also premiered in the year under review at five Belgian theatres, again in the presence of the entire cast. Kinepolis sold no fewer than 6 500 tickets of De Kampioenen, twice as many as the previous year.

In Belgium children were treated to a special event just for them. Symfollies was a very enjoyable blend of animation and live musical accompaniment. Bearing in mind the enthusiastic response (5 700 admissions) it is certain worth repeating.

In sports, the live broadcast of Euro 2008 and the Uefa Cup match between Valencia and Club Brugge were both sold-out smashes as the stadium atmosphere was successfully transposed to the movie theatre

Leadership in technology

Digital cinema

Kinepolis has gone digital, with digital projectors and movies, on the one hand, and a string of digital signage, advertising, programming and information screens, on the other. Network-controlled flat screens provide customers with up-to-the-minute information on screenings, seat availability and special offers.

Kinepolis continued to open new digital screens to meet increasing demand for digital movies. By the end of 2008 the share of digital screens was 60% in Belgium, 40% in France and 25% in Spain.

Digital screens demand ICT network at and between movie theatres.

Every multiplex is equipped with a hi-def satellite receiver system for the presentation of alternative content. Events are regularly screened in crystal-clear definition and surround sound. Digital is now the ideal platform for tailored public and private screenings.

Customers certainly enjoyed the first 3D screenings. The high-quality Dolby 3D goggles and powerful Barco projectors ensure that every 3D presentation is a unique experience. With *Bolt*, *Ice Age 3*, *Up*, *Avatar* and others to come, 2009 will be the year 3D movies go mainstream.

Ticketing

Moviegoers can select their own seat when buying a ticket at virtually every Kinepolis multiplex. The ticketing software automatically identifies the most central available seat, but customers can also choose a seat themselves.

The digital screens in the foyer provide full seating plans for all screens.

ICT has been integrated and centralised to ensure optimal ticketing at all Kinepolis points.

In 2008 all Kinepolis multiplexes in France were equipped with the ticketing and sales system successfully implemented the previous year in Belgium. Developed in house and integrating all sales channels and the entire back office, this system enables Kinepolis to swiftly respond to the specific wishes of customers while guaranteeing optimal operational efficiency.

The system will be rolled out to other foreign movie theatres in 2009. ICT is responsible for installing and managing the point-of-sales infrastructure, including payment options, weighing equipment and voucher processing tailored to local languages, customs and legislation.

Research

In association with centres and partners at home and abroad Kinepolis participates in innovation projects, including new sales channels, payment methods and broadening customer experience.

ICT supports the introduction of new loyalty packages through all sales channels. There are also investments in card payment system projects. Seat booking and automated ticked control procedures are constantly evaluated and improved where necessary based on the needs of moviegoers and Kinepolis.

Investments are also made in analyses and models to ensure efficient control and robust strategies.

Refresh & Remodeling

Kinepolis is committed to the further development and refinement of the new Kinepolis concept with e-ticketing, seat booking, open foyer, digitisation and extensive self-service facilities. To facilitate this, a new group department was established: refresh & remodeling.

Self-service for snacks, beverages and retail products like DVDs, books and cuddly toys at the state-of-the-art theatres in Bruges, Ostend and Kortrijk (Belgium) was a great success. It enabled Kinepolis to achieve the targeted rise in turnover per customer in terms of food, beverages and retail, while reducing operating costs. In response, self-service was also introduced at the Gent site in 2008, under the Mega Candy Store name.

A four-person Refresh & Remodeling team has been set up to speed through the further rollout of self-service in Belgium, France and Spain. The team has an ambitious programme to work to in 2009, with the goal of making it even easier to buy tickets and rationalising the operating system. Self-service units will be introduced at six sites in 2009 (Antwerp, Brussels, Braine-l'Alleud, Mulhouse, Metz and Thionville).

Refresh & Remodeling is tasked with upgrading theatre seating in France and Spain. The new seating is made from high-quality materials that double useful life and are easier to clean and maintain.

Human Resources

Kinepolis is aware that its success is largely dependent on the talent and commitment of its employees. Human resources policy is therefore characterised by a focus on permanent quality, efficiency and flexibility. These criteria are applied in the hiring process and throughout the employee's career. By creating a solid human resources policy Kinepolis aims to create a culture in which initiative and personal development are valued.

A new job evaluation system based on both financial and quality aspects was recently introduced. It is the cornerstone of the group's new international bonus system, which increases the involvement of all employees. It is also a great tool for monitoring and helping achieve individual goals and the group's strategic policy.

HR policy is applied at all levels in the organisation. In-house interactive training systems ensure the various target groups always receive the information they need to do their jobs well. Projects are already ongoing for front office staff, but HR is constantly looking to offer extra value to all Kinepolis employees.

Corporate social responsibility

In business today economic targets are often linked to widen social desires. The pursuit of a way of doing business that is socially, ecologically or culturally responsible is the basis of sustainable enterprise, which takes account of the consequences for as many different interest groups as possible.

The results are especially striking in terms of safety and environment. Customers are actively encouraged to produce less waste, via the displays in our foyers and during the regular pre-movie presentations.

Waste – principally packaging of soft drinks and snacks sold in the foyer – is collected by type and removed by specialist firms for professional processing, minimising the environmental burden. Programmes in association with waste disposal firms like Van Gansewinkel in Belgium are focused on raising awareness of the issue among moviegoers.

Kinepolis has achieved some striking results in terms of energy consumption. A joint project with Siemens Building Technologies enabled the group to optimise air conditioning in its auditoria, cutting consumption by a huge 35% in the process.

Energy consumption is also a key concern in renovation and new-build projects. Such factors as climatic conditions and ambient temperature now play an important role during the conceptualisation of Kinepolis multiplexes, enabling energy consumption to be kept at a favourable level in all circumstances.

Every moviegoer is important, regardless of personal taste, origin, age or handicap. Kinepolis partners meet regularly with multicultural and social organisations and initiatives.

Through facilities, organisation and initiatives Kinepolis endeavours to ensure that everyone – including those in wheelchairs, those with impaired hearing or sight and those with another type of handicap – are able to enjoy their visit to its premises.

Kinepolis is committed to making further efforts to protect the safety of every customer, in full compliance with fire safety laws and with due consideration for the need of facilities for people with limited mobility.

Kinepolis and Music

Ladies@the movies: an evening out at a blockbuster, goody bags, drinks, activities, live act, music… and no men.

04 Kinepolis, core businesses

Ticket sales

Ticket sales comprises revenues from the sale of tickets to all products, from traditional movies to alternative content. Revenues and profits depend above all on admissions and ticket prices.

In 2008 Kinepolis Group clocked up 21.9 million admissions at its European multiplexes, which is comparable with the 2007 figure of 22.0 million admissions. As a result, Kinepolis was able to generate good annual profit, in spite of the economic downturn and the delayed release of *Harry Potter and the Half-Blood Prince* until 2009.

The large percentage of local movie hits is striking. The French film *Bienvenue chez les Ch'tis* sold more than a million tickets, while *Astérix aux Jeux Olympiques* also attracted a huge number of visitors. Flemish productions *Loft*, *Aanrijding in Moscou* and *Het Huis Anubis* broke records in Belgium.

Inflation and a better product mix due to the success of digital movies meant that the average ticket price increased.

Food, beverages and retail

Food, beverages and retail comprises all revenues from the sale of beverages, snacks and other products in multiplexes.

The food and beverages menu meets the demand for convenience among a large number of moviegoers, who want to eat and drink in a pleasant atmosphere in the multiplex.

The group is also responding to increasing demand for healthy food and beverages. In addition to proven sellers like cola, potato chips and popcorn, Kinepolis now also offers a choice of fruit juices and waters, yoghurt drinks, sandwiches and rolls, fruit and more.

Food, beverages and retail revenues and profits rose, chiefly due to the general increase in consumption among moviegoers. This rise was bolstered by the further expansion of the range of healthy foods and innovative sales concepts. The new large self-service shops were a great success and were introduced in various multiplexes in 2008.

Retail had a lot of success in 2008 with both film-related and non-film-related merchandising at a number of Kinepolis multiplexes.

Across Europe, Kinepolis cinemas hosted more than 1600 B-to-B events in 2008. Prestigious brands like Belgacom, Coca-Cola and Saint-Gobain chose to hold their conferences, premieres, staff events and more at Kinepolis.

In 2008 Kinepolis hosted various events for specific target groups, such as more Magic Sundays (Matinées Magiques) for families and the successful Ladies@theMovies initiative, which was a smash hit sell-out, warranting 3 XL events in 2008.

Popular themes were not ignored either, with campaigns for Halloween, Valentine and Christmas. Plenty of sports and music events were also screened in 2008, some of them live.

Kinepolis welcomed a whole universe of national and international stars from cinema and TV in 2008, strengthening its image as a temple of filmed entertainment.

Media and Events

Media and events comprises revenue from B-to-B and B-to-C events, which are continually diversified and professionalised. This revenue channel is entirely independent of movie ticket sales.

In 2008 Kinepolis's media and events activities were very well received.

A new approach was introduced for the dedicated local and national B-to-B teams. 3D-ready digital projectors, tailored conferencing facilities and service, a more serious approach to prospecting, intensive media campaigns and successful partnerships mean that Kinepolis multiplexes can be more strongly marketed as B-to-B event venues. Screen advertising, sampling, digital displays in the foyers and advertising panels were utilised to fix the Kinepolis brand in the minds of Belgian, French and Spanish moviegoers.

Kinepolis Brussels, Metropolis Antwerp and Kinepolis Madrid were all lauded on their 20th, 15th and 10th anniversaries respectively.

There was even more to enjoy for customers, with exclusive movie promotions, foyer activities and special movie makeovers at Kinepolis multiplexes.

It is clearly just the beginning. Event programming attracts new target groups, including opera enthusiasts, football supporters and fans of the most diverse musical genres. Kinepolis expects a lot of these new developments, which highlight its image as an innovator in the industry.

Belgian businesses can now offer their employees free movie cheques, which are classified as perks in the same way as book tokens and culture vouchers. Kinepolis enthusiastically welcomes this tax initiative.

Distribution

Film distribution activities are focused on Flemish movies. Kinepolis Film Distribution (KFD) has earned a strong position in this field in Belgium. With KFD, Kinepolis shows that it wishes to support Flemish films.

Flemish films racked up a record number of admissions – almost two million – in 2008, a rise of around 70% on the 2007 figure. The much praised *Aanrijding in Moscou* attracted 200 000 moviegoers; other hits were Studio 100 titles *Anubis – Het Pad der 7 Zonden* and *Samson en Gert – Hotel op Stelten*.

KFD distributed 49 movies in 2008, including the hit thriller *Untraceable*, *Bangkok Dangerous*, starring Nicolas Cage, and Belgium's first-ever 3D animated feature *Fly Me to the Moon*, which was the best performing Belgian movie internationally.

A large number of Flemish premieres are scheduled for 2009, including a striking number of movies by up-and-coming directors. Pieter Van Hees follows up *Linkeroever* with his second feature *Dirty Mind*, starring Wim Helsen. Also scheduled are *SM-Rechter*, with Gene Bervoets and Veerle Dobbelaere in the leading roles, and *De Helaasheid der Dingen*, the adaptation of a Dimitri Verhulst book, directed by Felix van Groeningen. Jan Verheyen returns after smash-hit *De Zaak Alzheimer* with *Dossier K*. Geoffrey Enthoven's *Meisjes* is set for release too. Stijn Coninx's new movie *Soeur Sourire*, featuring the internationally known Belgian actress Cécile de France is also expected to do good business.

2009 will also be the year of Flemish animation, including *Suske en Wiske en de Texasrakkers* and the Studio 100 production *Het Geheim van Mega Mindy*.

Non-Flemish movies are also gaining in importance for KFD, which has an association with independent distributors like RCV and A-Film, both based in the Netherlands.

Expected to pull in the crowds in 2009 are Gus van Sant's double Oscar-winning *Milk*, starring Sean Penn (Best Original Screenplay and Best Actor in a Leading Role), *Defiance* with 007 Daniel Craig, *Coco avant Chanel* with Audrey Tautou, *Edge of Darkness* with Mel Gibson, the international musical *Fame* and *Brothers Bloom* with Adrien Brody and Rachel Weisz.

In September 2008 KFD joined with Bridge Entertainment Group and Vlaams Audiovisueel Fonds to launch *Docudoc*, a project supporting Flemish documentaries, which will be brought to the big screen starting in 2010.

Real Estate

Real Estate is an independent unit within the group tasked with coordinating property management and utilisation. At year's end 2008 Kinepolis had a portfolio of 23 multiplexes, comprising 317 screens and 94 226 seats.

Occupancy of business spaces rose to 90% in 2008. Business rental income rose by 7% compared with the 2007 figure.

Business spaces

Occupancy of existing business spaces rose and additional business spaces were created to ensure optimal utilisation of available space and repurpose any overcapacity. A number of dated restaurants were replaced or converted into trendy alternatives. Non-food facilities were also brought in to improve the commercial mix.

Redevelopment

Kinepolis closely examines the possibilities of developing or partially redeveloping the immediate vicinity of its multiplexes. One example is the redevelopment of the dated retail galleria at Kinepolis Leuven (Belgium). An option was taken on the purchase of the Opera complex in Liege (Belgium), which has been unoccupied since 2004.

Poznan (Poland)

Cinema City Poznan, which has been operated by Israeli group IT International Theaters (ITIT) since 19 January 2007, had a robust 2008, matching 2007 admissions. As a property owner Kinepolis gave special attention to business space quality, a strategy that was rewarded with a rise in occupancy from 58% to 80% by the end of the year under review. Agreement was reached in early 2009 on the establishment of a state-of-the-art fitness centre, which bumps up occupancy to 95%.

The development of a planned shopping mall next to Cinema City in association with Spanish group Bogaris is advancing on schedule. A new zoning plan was approved in 2008. Efforts are now being focused on obtaining planning permission.

In 2009 Kinepolis Real Estate will invest efforts in three other areas:

Expansion and project development
There will be further studies into the potential of a number of sites in France and Spain, while a number of developments will be initiated at existing sites.

Makeovers
As part of a long-term plan, a string of investments were made for replacements and makeovers at the older sites in association with the refresh & remodeling department.

Increased rental income
As in the year under review, increasing occupancy will be a focal point in 2009. This will be achieved by finding tenants for the remaining empty business spaces, creating extra spaces and diversifying retail concepts.

Gent (Belgium)

In 2008 Kinepolis Real Estate put the first spade in the ground as part of its project to build apartments next to Kinepolis Gent in partnership with Groep Blijweert. An entirely new entrance to the multiplex itself will also be built in 2009. All told, 88 studio flats and apartments are to be delivered in 2010. The units are already selling well.

Kinepolis and Music

Symfollies at Kinepolis, a unique combination of animation film, live music and theatre.

05 Kinepolis, Corporate Governance

Corporate Governance

On 18 December 2007, the Kinepolis Board of Directors approved a revision of its Corporate Governance Charter, in which they have published their principles of corporate governance. The Charter can be consulted on the Kinepolis website under Investor Relations. The Board of Directors is now reviewing this charter based on the new Belgian Corporate Governance Code of March 2009.

This section of the annual report contains more factual information about the company's Corporate Governance policy, including any relevant changes to this policy and relevant events that have taken place during the fiscal period.

Board of Directors and Special Committees

Composition of the Board of Directors

The table below shows the composition of the Board of Directors.

At 31 December 2008 the Board of Directors consisted of eight members, four of whom should be deemed to be independent of the majority shareholders and management. These directors fulfill the criteria for independent directors as stated in the new Article 526ter of the Companies Code and were nominated by the Board of Directors based on the recommendation of the Nomination and Remuneration Committee. The majority shareholders did not employ their nomination right with regard to these appointments.

Since his appointment as Joint Chief Executive Officer, Mr Duquenne is no longer deemed to be an independent director.

The Board regularly reviews the criteria for its composition and for that of its committees in the light of prevailing and future developments and expectations.

DIRECTORS AT 31/12/08

NAME	POSITION	TERM ENDS	OTHER POSITIONS AT LISTED COMPANIES	ATTENDANCE RECORD
Mr Philip Ghekiere (2)	President	2012	/	All meetings
Mrs Marie-Suzanne Bert-Vereecke, permanent representative of nv Pentascoop (1) (2)	Honorary President	2012	/	6 meetings
Mr Joost Bert (2)	CEO	2012	/	All meetings
Mr Eddy Duquenne	CEO	2012	/	All meetings
Baron Hugo Vandamme, permanent representative of nv HRV (1)	Independent Director	2010	Roularta Media Group nv: President of the board of directors Picanol Group nv: Deputy chairman of the board of directors Alfacom Group nv: President of the Board of Directors	All meetings
Mrs Mimi Lamote, permanent representative of bvba Eugenius (1)	Independent Director	2009	Belgacom nv: Director	6 meetings
Mr Geert Vanderstappen, permanent representative of bvba Management Center Molenberg (1)	Independent Director	2011	Spector Photo Group nv: Director	All meetings since appointment on 16 May 2008
Mr Marc Van Heddeghem (1)	Independent Director	2011	Leasinvest Real Estate Bevak: Director Befimmo nv: Director	1 meeting since appointment on 16 May 2008

DIRECTORS WHO VACATED THEIR SEATS IN 2008

NAME	POSITION	TERM ENDS	OTHER POSITIONS AT LISTED COMPANIES	ATTENDANCE RECORD
Mr Florent Gijbels, permanent representative of bvba Gijbels-Claeys Mgt (1)	Director until 16 May 2008		/	1 meeting
Mr Philippe Haspeslagh, permanent representative of nv Euro Invest Management (1) (2)	Director until 12 November 2008		Quest Management nv: Chairman of the board of directors Quest for Growth nv: Director	2 meetings

(1) Non-executive director
(2) Representing the majority shareholders

In 2008 Mr Marc Van Heddeghem and Mr Geert Vanderstappen (Management Center Molenberg bvba) were appointed independent directors and Mr Philip Ghekiere was appointed president of the Board of Directors.

2008 also saw the departure of Mr Philippe Haspeslagh (nv Euro Invest Management), who was unable to fulfill his duties as a director of Kinepolis Group nv due to his busy business activities. The Board of Directors would like to take this opportunity to thank him for his contribution to the company's corporate governance in his time with the company.

Ms Claeys-Vereecke has the honorary title of Co-founder and Honorary President.

Activity Report of the Board of Directors

The Board of Directors met seven times in 2008.

In addition to the duties assigned to the Board under the Companies Code, the following issues were addressed on a regular basis:

- monthly admission figures of the various complexes and the financial results of Kinepolis and its subsidiaries;
- advancement of cinema and real estate projects;
- advancement of treasury;
- development of the digitalization of the theatres;
- progress in the share buyback program;
- reports of the Audit Committee and the Nomination and Remuneration Committee;
- other issues, including human resources, external communication, disputes and legal issues are addressed as needed or desired.

Meetings were also devoted to the following issues:

- establishment of annual and half-year financial statements and reports;
- establishment of short-term and long-term strategy;
- investment plans for 2009 and beyond;
- profit plan for the year 2009;
- establishment of management targets.

Eight meetings are scheduled in 2009.

Composition and activities report of Nomination and Remuneration Committee

At 31 December 2008 the Nomination and Remuneration Committee was composed of the following members, the majority of whom were independent directors:

- Mr Philip Ghekiere (President)
- Baron Hugo Vandamme (nv HRV)
- Mr Marc Van Heddeghem (since 16 May 2008)

The CEOs attend the meetings of the Nomination and Remuneration Committee on invitation.

The Nomination and Remuneration Committee met in February and April 2008 in the presence of its members at the time (Messrs Ghekiere, Vandamme and Haspeslagh). Mr Haspeslagh left the committee on 12 November 2008.

The main subjects discussed by the Nomination and Remuneration Committee were as follows:

- the proposal to appoint directors;
- the proposal to set the management targets for executive management and the method for evaluating these goals;
- the remuneration proposal for the CEOs;
- the proposal for the composition of the various committees.

Composition and activities report of the Audit Committee

At 31 December 2008 the Audit Committee was only composed of non-executive and independent directors:

- Mr Geert Vanderstappen (President since September 2008)
- Mr Hugo Vandamme (nv HRV)

Mr Geert Vanderstappen, who joined the committee in May 2008, has the appropriate audit and accountancy know-how as provided by the new Article 526bis of the Companies Code. He acquired thorough financial expertise first at Generale Bank (Fortis) as a corporate banker, then atSpector Photo Group, where he has been CFO and director since 1996 and and as managing partner of the investment funds Buy-Out Funds cva (founded in 1999) and Pentahold nv (founded in 1996).

New members will be appointed to the Audit Committee in 2009.

The Financial Director and the Chief Executive Officers attend the meetings of the Audit Committee. The representatives of the majority shareholders may attend meetings upon invitation.

Mr Philippe Haspeslagh (nv Euro Invest Management) (President) left the Committee on 12 November 2008 and Messrs Gijbels and Ghekiere left on 16 May 2008.

In 2008 the Audit Committee met three times, with all its members attending. The main agenda items were:

- discussion of the unconsolidated and consolidated financial statements and the annual report;
- discussion of the half-yearly results and the half-yearly report;
- monitoring the internal auditor's program of work;
- discussion of internal procedures and systems.

Executive management

The 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

The Company's policy on insider trading was updated by the Board of Directors of 18 December 2007 and 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 be in possession of 'advance knowledge'.

The protocol is aimed at ensuring that share trading by the persons in question takes place strictly in accordance with the Law of 2 August 2002 on supervision of the financial sector, and also in accordance with the Guidelines issued by the Board of Directors.

The Chief Financial Officer is responsible, as Compliance Officer, with monitoring compliance with the rules concerning market abuses as set out in the Protocol.

Public disclosure of gross remunerations

The remunerations are determined by the Board of Directors, based on participation in the meetings of the Board and of its Committees, plus a fixed amount for directors undertaking a particular role.

The directors, with the exception of the Chief Executive Officers and the vice-chairman, do not receive any performance-related remuneration like bonuses or long-term share-related incentive programmes. Nor do they receive pension plan-related benefits.

The remuneration of the Chief Executive Officers is set by the Board of Directors based on the opinion of the Nomination and Remuneration Committee, and is largely based on a market-oriented system of performance-related pay.

The Board of Directors of 18 December 2007 approved the principle of allocating 69 308 options per person to the Chief Executive Officers and to the vice-chairman. The above persons accepted these options in 2008.

F.l.t.r. Hugo Vandamme, Eddy Duquenne, Philip Ghekiere, Joost Bert, Geert Vanderstappen, Marie-Suzanne Vereecke, Marc Van Heddeghem and Mimi Lamote

NAME	TITLE	REMUNERATION
BOARD OF DIRECTORS		
Directors at 31 December 2008:		
Philip Ghekiere	President	85 000
Joost Bert	CEO	30 000
Eddy Duquenne	CEO	30 000
Marie-Suzanne Vereecke (nv Pentascoop)	Founding director - Honorary President	216 996
Hugo Vandamme (nv HRV)	Independent Director (President until May 2008)	112 500
Mimi Lamote (bvba Eugenius)	Independent Director	22 500
Marc Van Heddeghem	Independent Director	3 750
Geert Vanderstappen (bvba Management Center Molenberg)	Independent Director	18 750
Directors who vacated their seats in 2008:		
Philippe Haspeslagh (nv Euro Invest Management)	Independent Director	13 750
Florent Gijbels (bvba Gijbels-Claeys Mgt)	Director	6 250
CEO'S		
Joost Bert	Fixed remuneration	270 000
	Variable remuneration	200 000
Eddy Duquenne	Fixed remuneration	270 000
	Variable remuneration	200 000

Compliance with the Corporate Governance Code

Kinepolis complies with the principles of the Belgian Corporate Governance code.

In line with the 'apply or explain' principle, the company decided that it was in the best interests of the company and its shareholders to depart from the Code in a limited number of specific cases.

These departures are explained below:

- Kinepolis uses the threshold of 20% for the submission of motions to the General Meeting, as stipulated in the Companies Code, rather than the threshold of 5% recommended in the Corporate Governance Code. The company believes that the 5% threshold for requiring the company to place any motion on the agenda of the General Meeting is too low, and that the 20% threshold better reflects the Company's shareholder structure.

- With the departure of Mr Haspeslagh, the Audit Committee no longer consisted of three members. After voting on the directorships on the agenda of the General Meeting of 15 May 2009, the Board of Directors will carefully consider the committee's optimal composition.

Kinepolis and Music

Ladies@the movies: an evening out at a blockbuster, goody bags, drinks, activities, live act, music… and no men.

06 Kinepolis, Info for the Shareholders

Financial calendar

Friday 15 May 2009	General Meeting of Shareholders Kinepolis Group nv Publication business update Q1 2009
Monday 25 May 2009	2008 dividend payment
Wednesday 15 July 2009	Publication of H1 2009 admission figures
Friday 28 August 2009	Publication of H1 2009 results + press and analyst meeting
Monday 12 October 2009	Publication of Q3 2009 admission figures
Friday 13 November 2009	Publication of Q3 2009 business update
Wednesday 13 January 2010	Publication of 2009 admission figures
Friday 26 February 2010	Publication of Annual Results 2009 + press and analyst meeting
Monday 12 April 2010	Publication of Q1 admission figures
Tuesday 18 May 2010	Publication of Q1 2010 business update
Friday 21 May 2010	General Meeting of Shareholders Kinepolis Group nv

Information on the Kinepolis Group share

Kinepolis Group (ISIN: BE0003722361 / Mnemo: KIN) is listed on NYSE Euronext Brussels, under compartment B, Mid Caps.

Closing price at 31/12/2008	€ 16.45
Average daily trading volume	5 907
Trading volume, as per 31/12/2008	3 834 242
Market capitalization at 31/12/2008	€ 114 011 298.10

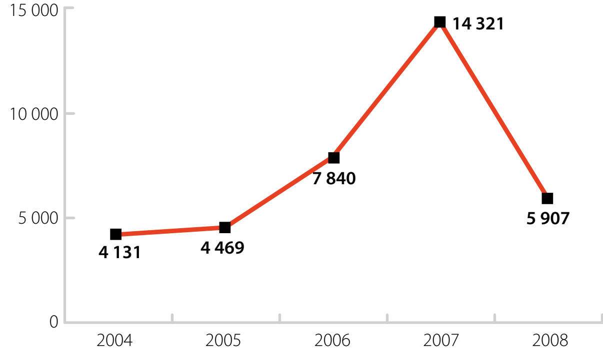
NUMBER OF SHARES	2008	2007	2006
Number of shares at 31/12	**6 930 778**	6 930 778	6 930 778
Weighted average number of ordinary shares	**6 819 329**	6 850 222	6 827 442
Weighted average number of diluted ordinary shares	**6 819 329**	6 850 222	6 971 859

DATA PER SHARE	2008	2007	2006
Revenues	**31.29**	30.63	30.47
EBITDA	**7.59**	7.15	7.03
Profit	**2.22**	2.15	2.14
Diluted profit	**2.22**	2.15	2.09
Gross dividend	**0.66**	0.65	0.64
Pay-out ratio	**30%**	30%	30%

EVOLUTION OF THE SHARE	2008	2007	2006
Closing price 31/12	**16.45**	34.40	44.80
Lowest of the year	**16.20**	33.94	26.51
Highest of the year	**34.50**	57.30	44.80
Average traded day volume	**5.907**	14.321	7.840

Graph showing share price development and volume over the past five years

Graph showing the average volume per year



Dividend

For the financial year 2008, taking into account a payout ratio of 30%, the proposal is to declare a gross dividend of € 0.66/share. In this way the pay-out ratio of 30% will have been maintained for 5 years in a row. The Board of Directors has set the date for dividend payment, subject to approval by the General Shareholders Meeting, on 25 May 2009 at a financial institution of the shareholder's choice by means of submission of coupon no. 9.

Monitoring by financial analysts

Four sell-side analysts monitored the Kinepolis share in 2008. Kinepolis has always acknowledged the importance of an active monitoring by analysts. By being available to the financial analysts at all times Kinepolis hopes to secure permanent increased attention from private and professional investors at home and abroad. In recent years, this has led to a continual improvement in the familiarity and liquidity of the share.

The following institutions actively monitor Kinepolis and publish regular analyst's reports:

Bank Degroof	Christophe Dessain
KBC Securities	Nathalie Sierens
ING Financial Markets	Filip De Pauw
Petercam	Emmanuel Carlier

The ratings of these analysts and a list of their most recent analyst's report are provided at www.kinepolis.com/investors.

Relationships with shareholders and investors

Shareholders and investors who wish to receive the annual report, press releases or other information on the Kinepolis Group, can find these on the website www.kinepolis.com/investors. On this investor site they can find the annual report for download and in an interactive version, full financial data on the group, the press releases, stock market price, the financial calendar and data regarding Corporate Governance of Kinepolis Group nv All this information is available in Dutch, French and English.

Investor clubs and individual investors

The Kinepolis Group was in close contact with individual investors in 2008. A few examples:

- Since the end of 2005, the Kinepolis Group has been a sponsor of the VFB (Flemish Federation of Investors), after having already been a member for 2 years. VFB is a working member of the European Shareholders Organisation and an active member of the World Federation.
- Twice a year, Kinepolis Group organizes an info stand at the largest investment events in Belgium: the VFB Happening and the VFB Tips Day, both taking place at Metropolis Antwerp.
- Since January 2007, the Kinepolis Group is also a member of the French-speaking investors club Investa. The aim is to create more visibility especially in the French-speaking part of Belgium. Investa was originated in March 2003 from the merger of the EVB (European Association for Individual Investors) and the FBCI (Fédération Belge des Clubs d'Investissements).

Investa has approximately 3 500 members and until now has concluded agreements with 51 members. We also hope to organise several investor events with them.

Roadshows and meetings with institutional investors

For the benefit of the professional environment (analysts, share portfolio administrators, media,...), the Kinepolis Group regularly takes part in roadshows and one-on-one meetings with the management of the group, organised by the sales of several Banking Institutions.

In the course of 2008 there were more than 50 personal contacts during meetings in Europe (Brussels, London, Paris, Frankfurt, Geneva, Madrid, Edinburgh, Dublin, Rotterdam and Amsterdam). On the occasion of the publication of the 2008 annual results on 19 February 2009, more than 30 personal meetings have again taken place with institutional investors in Europe.

The Kinepolis Group invites its analysts and the financial press to a press and analyst meeting twice a year on the occasion of the publication of the half-yearly and annual results. Since the second semester of 2006, these meetings are also followed up by management with webcasts. These webcasts are placed on the Investor Relations website of Kinepolis Group and contain a full financial explanation based on the slides of the press and analyst meetings. This makes all the financial information available to each investor, whether institutional or individual.

Shareholders' structure at 31 March 2009 (*)

Kinohold Bis and Mr Joost Bert	2 426 638	35.01%
Kinepolis Group nv	277 231	4.00%
Free Float of which:	4 226 909	60.99%
Bestinver Gestion	917 690	13.24%
Axa sa	707 947	10.21%
Axa Investment Managers	280 971	4.05%
Quaeroq cvba	210 000	3.03%
TOTAL	**6 930 778**	**100%**

(*) Based on the transparency declarations at www.kinepolis.com

Key group figures (in € '000, unless stated otherwise)

REVENUE, PROFITS, CASH FLOW AND INVESTMENTS	2004	2005	2006	2007	2008
Revenue	200 608	192 812	211 191	212 324	**216 877**
EBITDA	46 030	42 660	48 720	49 579	**52 588**
Operating profit	25 790	20 728	26 507	25 146	**28 718**
Profit for the period	11 266	8 105	14 635	14 726	**15 186**
Depreciation and amortization	20 610	21 654	21 850	23 587	**23 813**
Cash flow	10 864	3 388	-12 769	1 625	**-1 150**
Investments	21 811	23 114	19 127	34 359	**14 173**
Investments/Revenues	10.9%	12.0%	9.1%	16.2%	**6.5%**

TOTAL ASSETS AND EQUITY	2004	2005	2006	2007	2008
Total Assets	361 293	366 035	350 774	363 884	**352 383**
Total equity	91 175	96 014	108 059	113 554	**117 306**

NET CASH FLOW	2004	2005	2006	2007	2008
From operating activities	10 855	28 874	33 256	36 525	**32 057**
From investing activities	-7 313	-19 759	-17 512	-30 071	**-13 454**
From financing activities	7 322	-5 727	-28 513	-4 829	**-19 753**
Net increase (decrease) in cash	**10 864**	**3 388**	**-12 769**	**1 625**	**-1 150**

RATIOS	2004	2005	2006	2007	2008
Revenue change in % versus previous year		-4.04%	8.70%	0.53%	**2.10%**
Operating profit in % of Revenues	12.9%	10.8%	12.6%	11.8%	**13.2%**
Tax burden in %	36.8%	39.4%	26.1%	19.3%	**25.3%**
Net profit in % of Revenues	5.6%	4.2%	6.9%	6.9%	**7.0%**
Equity in % of balance sheet total	25.2%	26.2%	30.8%	31.2%	**33.3%**
Net financial debt / EBITDA (in €)	3.4	3.5	2.8	2.8	**2.5**

WORKFORCE (AVERAGE NUMBER OF EMPLOYEES)	2004	2005	2006	2007	2008
Belgium	729	727	845	633	**613**
Abroad	749	810	911	805	**770**
TOTAL	**1 478**	**1 536**	**1 755**	**1 438**	**1 383**

NUMBER OF MULTIPLEXES	2004	2005	2006	2007	2008
Belgium	9	9	10	11	**11**
France	6	7	7	7	**7**
Spain	3	3	3	3	**3**
Poland	1	1	1	1	**1**
Switzerland	1	1	1	1	**1**
TOTAL	**20**	**21**	**22**	**23**	**23**

NUMBER OF ADMISSIONS	2004	2005	2006	2007	2008
Belgium	10 816 229	9 936 224	10 641 006	9 912 058	**9 658 063**
France	6 534 931	6 075 527	6 688 322	6 543 616	**6 987 546**
Spain	5 436 259	5 362 469	5 273 312	5 397 350	**5 047 119**
Poland	1 457 115	991 831	1 108 085	/	**/**
Switzerland	267 830	208 410	202 017	185 461	**177 097**
TOTAL	**24 512 364**	**22 574 461**	**23 912 742**	**22 038 485**	**21 869 825**

DATA PER VISITOR	2004	2005	2006	2007	2008
Revenue per visitor	8.18	8.54	8.83	9.63	**9.92**
EBITDA per visitor	1.88	1.89	2.04	2.25	**2.40**
Net profit per visitor	0.46	0.36	0.61	0.67	**0.69**
Depreciations per visitor	0.84	0.96	0.91	1.07	**1.09**
Cash flow per visitor	0.44	0.15	-0.53	0.07	**-0.05**
Investments per visitor	0.89	1.02	0.80	1.56	**0.65**
Net financial debt per visitor	6.39	6.94	6.55	7.11	**7.16**

DATA PER SHARE	2004	2005	2006	2007	2008
Number of shares	6 930 778	6 930 778	6 930 778	6 930 778	**6 930 778**
Weighted average number of outstanding shares excluding own shares	6 831 887	6 831 280	6 827 442	6 850 222	**6 819 329**
Net profit per share (in €)	1.6	1.2	2.1	2.1	**2.2**
Dividend per share (in €)	0.29	0.35	0.64	0.65	**0.66**
Equity per share (in €)	13.3	14.1	15.8	16.6	**17.2**

THE SHARE AND THE STOCK MARKET	2004	2005	2006	2007	2008
Highest price			44.8	57.3	**34.5**
Lowest price			26.51	33.94	**16.2**
Closing price			44.8	34.4	**16.45**
Market value at closing price (in € '000)			345 083	238 419	**114 011**
Average traded day volume			7 840	14 321	**5 907**
Pay-out ratio			30%	30%	**30%**

Kinepolis and Music

Live performance of ‘Madame Butterfly’ relayed live to Kinepolis from the prestigious Metropolitan Opera House in New York.

07 Financial statements

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT IN '000 €	NOTE	31/12/2008	31/12/2007
Revenue		216 877	212 324
Cost of sales		-163 532	-162 637
Gross profit		**53 346**	**49 687**
Distribution expenses		-12 008	-13 130
Administrative expenses		-14 493	-14 397
Other operating Income and expenses	3	1 873	2 987
Operating profit before financing costs		**28 718**	**25 146**
Finance income	6	2 512	3 164
Finance cost	6	-10 902	-10 054
Profit before tax		**20 328**	**18 256**
Income tax expense	7	-5 142	-3 530
Profit for the period		**15 186**	**14 726**
Attributable to			
Equity holders of the company		15 111	14 700
Minority interests		74	25
Profit for the period		**15 186**	**14 726**
Basic earnings per share (€)	19	2.22	2.15
Diluted earnings per share (€)		2.22	2.15

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET IN '000 €	NOTE	31/12/2008	31/12/2007
Other intangible assets	8	2 540	2 270
Goodwill	9	18 761	18 761
Property, plant and equipment	10	242 218	251 266
Investment property	11	14 413	15 008
Deferred tax assets	12	1 969	2 056
Derivative financial instruments	24		1 432
Non-current trade and other receivables	14	17 350	17 621
Other financial assets	16	2 098	1 832
Total non-current assets		**299 349**	**310 247**
Inventories	13	2 272	2 189
Trade and other current receivables	14	24 945	24 688
Current tax assets		221	116
Cash and cash equivalents	15	17 288	16 240
Derivative financial instruments	24		171
Total current assets		**44 726**	**43 403**
Assets classified as held for sale	**17**	**8 309**	**10 234**
TOTAL ASSETS		**352 383**	**363 884**

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET IN '000 €	NOTE	31/12/2008	31/12/2007
Issued capital	18	48 963	48 963
Share premium	18	1 154	1 154
Consolidated reserves		67 394	63 695
Translation differences		-1 394	-1 373
Total equity attributable to equity holders of the company		116 116	112 438
Minority interests	18	1 190	1 116
Total equity		**117 306**	**113 554**
Interest bearing loans and borrowings	21	130 000	139 231
Provisions	22	1 839	2 016
Deferred tax liabilities	12	13 869	13 959
Derivative financial instruments	24	4 217	3 292
Trade and other payables	23	12 060	13 340
Total non-current liabilities		**161 985**	**171 838**
Bank overdraft		2 280	49
Interest bearing loans and borrowings	21	14 256	15 828
Trade and other payables	23	52 834	57 683
Provisions	22	1 564	1 549
Derivative financial instruments	24	61	
Current tax liabilities		2 097	3 383
Total current liabilities		**73 093**	**78 492**
TOTAL EQUITY AND LIABILITIES		**352 383**	**363 884**

CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED STATEMENT OF CASH FLOWS IN '000 €	INFO	31/12/2008	31/12/2007
Cash flows from operating activities			
Profit before tax		20 328	18 256
Adjustments for:			
Depreciation and amortization		23 813	23 632
Provisions	22	-45	5
Government grants		-1 283	-1 054
Gains (losses) on sale of fixed assets	3	-169	-537
Unrealized foreign exchange (gains)/losses			
Derivative financial instruments		-987	134
Warrants	4	589	
Net finance expenses	6	7 616	6 822
Movement trade and other receivables		-196	-1 795
Movement in inventories	13	-82	199
Movement in trade and other payables		-3 993	3 281
Cash from operations before interests and taxes		45 591	48 943
Net finance expenses paid		-7 952	-7 168
Income taxes paid / received		-5 582	-5 250
Net cash from operating activities		**32 057**	**36 525**
Cash flows from investing activities			
Acquisition of intangible assets		-1 510	-1 547
Acquisition of property, plant and equipment		-12 663	-32 812
Proceeds from sale of intangible assets			1 000
Proceeds from sale of property, plant and equipment		381	3 182
Interest received		337	106
Net cash used in investing activities		**-13 454**	**-30 071**

CONSOLIDATED STATEMENT OF CASH FLOWS IN '000 €	INFO	31/12/2008	31/12/2007
Cash flows from financing activities			
Proceeds from the issue of share capital			2 674
New loans		5 000	28 315
Repayment of borrowings		-15 803	-24 349
Repurchase of own shares		-4 465	-7 033
Dividends paid		-4 485	-4 436
Net cash used in financing activities		**-19 753**	**-4 829**

Net cash flow		**-1 150**	**1 625**

Cash and cash equivalents			
Cash and cash equivalent at beginning of the period	15	16 240	14 573
Cash and cash equivalent at end of the period	15	15 057	16 240
Effect of exchange rate fluctuations on cash held		-33	42
Net cash flow		**-1 150**	**1 625**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN '000 €	31/12/2007	TRANSLATION DIFFERENCES	CHANGE IN FAIR VALUE OF FINANCIAL DERIVATIVES	CHANGE IN FAIR VALUE OF FINANCIAL ASSETS AVAILABLE FOR SALE
Issued capital	48 963			
Share premium	1 154			
Consolidated reserves:	63 695		-3 322	270
Accumulated results	64 750			270
Hedging reserves	456		-3 322	
Own shares	-1 511			
Share based payment reserve				
Translation differences	-1 373	-21		
Equity attributable to equity holders of the company	**112 438**	**-21**	**-3 322**	**270**
Minority interest	1 116			
TOTAL EQUITY	**113 554**	**-21**	**-3 322**	**270**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN '000 €	31/12/2006	TRANSLATION DIFFERENCES	CHANGE IN FAIR VALUE OF FINANCIAL DERIVATIVES	CHANGE IN FAIR VALUE OF FINANCIAL ASSETS AVAILABLE FOR SALE
Issued capital	47 443			
Share premium				
Consolidated reserves:	60 929		-16	-450
Accumulated results	61 252			-450
Hedging reserves	471		-16	
Own shares	-1 921			
Share based payment reserve	1 126			
Translation differences	-1 402	29		
Equity attributable to equity holders of the company	**106 969**	**29**	**-16**	**-450**
Minority interest	1 090			
TOTAL EQUITY	**108 059**	**29**	**-16**	**-450**

	TOTAL RESULT RECOGNIZED DIRECTLY IN EQUITY	PROFIT FOR THE YEAR	TOTAL RECOGNIZED INCOME AND EXPENSES	ISSUE OF ORDINARY SHARES	DIVIDENDS TO EQUITY HOLDERS	SHARE-BASED PAYMENTS	PURCHASE/SALE OF OWN SHARES	31/12/ 2008
								48 963
								1 154
	-3 052	15 111	12 059		-4 485	589	-4 465	67 394
	270	15 111	15 381		-4 485			75 647
	-3 322		-3 322					-2 866
							-4 465	-5 976
						589		589
	-21		-21					-1 394
	-3 073	**15 111**	**12 038**		**-4 485**	**589**	**-4 465**	**116 116**
		74	74					1 190
	-3 073	**15 186**	**12 113**		**-4 485**	**589**	**-4 465**	**117 306**

	TOTAL RESULT RECOGNIZED DIRECTLY IN EQUITY	PROFIT FOR THE YEAR	TOTAL RECOGNIZED INCOME AND EXPENSES	ISSUE OF ORDINARY SHARES	DIVIDENDS TO EQUITY HOLDERS	SHARE-BASED PAYMENTS	PURCHASE/SALE OF OWN SHARES	31/12/2007
				1 520				48 963
				1 154				1 154
	-466	14 700	14 234		-4 436		-7 033	63 695
	-450	14 700	14 250		-4 436	1 126	-7 442	64 750
	-16		-16					456
							409	-1 511
						-1 126		
	29		29					-1 373
	-437	**14 700**	**14 263**	**2 674**	**-4 436**		**-7 033**	**112 438**
		25	25					1 116
	-437	**14 726**	**14 288**	**2 674**	**-4 436**		**-7 033**	**113 554**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 on 31 December 2008 include the company and its subsidiaries (together the 'Group') and the Group's interest in affiliated enterprises. These consolidated financial statements were approved by the Board of Directors for publication on 26 March 2009.

Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted by the European Community on 31 December 2008. The Company has not applied any European exceptions to IFRS, which means that the financial statements comply in full with the IFRS standards.

Basis of preparation

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

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

The accounting policies have been applied consistently across the Group and are consistent with those applied in the previous financial year.

The preparation of the financial statements under IFRS requires management to make judgments, estimates and assumptions that influence the application of the policies and the reported amounts of assets and liabilities, income and expenses. The estimates and related assumptions are based on past experience and on various other factors that are considered reasonable in the given circumstances. The outcomes of these form the basis for the judgment as to the carrying value of assets and liabilities where this is not evident from other sources. Actual results can differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of estimates are recognized in the period in which the estimate is revised, when the revision affects only this period, or in the revision period and future periods, where the revision affects both the reporting period and future periods.

Basis of consolidation

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

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

Associates

Associates are entities over which the Group exercises significant influence, but not control, over the financial and operational policies. Significant influence is deemed to exist where the group holds between 20 and 50 per cent of the voting rights of another entity. The consolidated financial statements include the Group's share in the income and expenses of the participating interest, which is recorded following the equity method, from the starting to the ending date of this significant influence. Whenever the Group's share in the losses exceeds the carrying value of the investments in associated participations, the carrying value is reduced to zero and future losses are no longer recognized, except to the extent that the Group has an obligation on behalf of the investee.

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 converted into euro at the exchange rate on transaction date. Monetary assets and liabilities expressed on the balance sheet date in foreign currencies are converted into euro at the exchange rate at the balance sheet date. Exchange rate differences occurring in the translation are immediately recognized in the income statement. Non-monetary assets and liabilities expressed in foreign currency are converted at the exchange rate at the transaction date. Non-monetary assets and liabilities in foreign currencies which are recognized at fair value are converted into euro at the exchange rates at the date on which the fair value was determined.

Financial statements of foreign operations

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

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

Financial instruments

All financial instruments are recorded on the transaction date.

Derivative financial instruments

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

Derivative financial instruments are initially valued at cost price. Attributable transaction costs are expensed as incurred. Subsequent to initial recognition these instruments are measured at fair value. The accounting treatment of changes therein is as described below.

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

Hedging

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

Whenever a hedging instrument or hedge relationship is ended, but the hedged transaction still has not taken place, the cumulative gains or loss remains in equity and will be recognized in accordance with the above policies once the transaction takes place. When the covered transaction is not longer probable, the cumulative gains or loss included in equity is 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 profit or loss as a part of the currency translation gains and losses.

Non-derivative financial instruments

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

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

Cash and cash equivalents
Cash and cash equivalents are the cash on hand and all call deposits. Bank overdrafts that are repayable on demand, which are an integral part of the Group's cash management are viewed as a part of cash and cash equivalents in the presentation of the cash flow table.

Financial assets available for sale –
Investments in equity securities
Investments in equity securities consist of participating interests in enterprises in which the group has no control or no significant influence.

In those cases in which the Group has directly or indirectly more than 20% of the votes and/or exercises significant influence on the financial and operating policy, the participating interests are viewed as associates. Participating interests in associates are recorded by the equity method, except when classified as financial assets held for sale in accordance with IFRS 5 (Non-current assets held for sale and discontinued operations). When there is reason to apply an impairment, the accounting policy for impairments is applied.

Other investments in 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 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. Where the investment is sold, received or otherwise transferred, or when the carrying value of the investment is impaired, the accumulated profit or loss previously included in equity is transferred to profit or loss.

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

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

Property, plant and equipment

Owned assets
Items of property, plant and equipment are measured at cost less accumulated depreciation (see below) and impairments. 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 value of the assets and are recognized within 'other operating income' in the income statement.

Leased assets

Lease agreements that transfer to the Group nearly all the risks and rewards attached to the ownership of an asset are viewed as finance leases. Buildings and equipment acquired under finance leases are recorded at the lower of the fair value or the present value of the minimum lease payments at the beginning of the lease agreement, less cumulative depreciation and impairments.

Subsequent costs

The cost price of replacing part of a property, plant and equipment is included in the carrying value of the asset whenever it is probable that the future economic benefits relating to the assets will flow to the group and the cost price of the assets can be measured reliably. The cost of daily maintenance of property, plant and equipment is recognized as an expense in profit or loss as and when incurred.

Depreciation

Depreciation is charged to the income statement using the straight-line method over the expected useful life of the asset, or of the separately recorded major components of an asset. 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
- machinery and equipment 5-10 years
- furniture and vehicles 3-10 years.

Investment property

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

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

Rental income from investment property is accounted for as described below in the accounting policy for the 'Revenue and other income'.

Intangible assets

Goodwill
Goodwill from an acquisition is the positive difference between the purchase price and the Group's share in the fair value of the acquired identifiable net assets. Goodwill is valued at cost less impairment losses. In respect of associated companies the carrying value of the investment in the enterprise also includes the carrying value of the goodwill. Goodwill is not amortized. Instead, it is subject to an annual impairment test.

Negative goodwill
Negative goodwill from an acquisition is the negative difference between the group's share in the fair value of the acquired net identifiable assets and the purchase price. Negative goodwill is immediately charged to the income statement.

Acquisitions of minority interests
When a minority interest is acquired in a subsidiary, the goodwill corresponds to the difference between the cost price of the additional investment and the carrying value of the net assets that are acquired on the date of exchange.

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

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

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

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

Amortization
Amortization is charged to the income statement by the straight-line method over the expected useful life of the intangible asset. Intangible assets are amortized from the date they are ready for use. Their estimated useful life is 3 to 10 years.

Inventories

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

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

Impairment

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

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

The recoverable amount of the Group's financial assets measured at amortized cost is calculated as the present value of expected future cash flows at the interest rate inherent to these assets. Current receivables are not discounted. The recoverable value of other assets is the greater of the sales price less selling expenses and the value in use.

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

Reversal of impairments
An impairment is reversed when the reversal can be objectively connected with 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 realizable value, but not in a higher amount than the net carrying value that would have been determined if no impairment had been recorded in previous years.

Goodwill impairments are not reversed.

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

Assets classified as held for sale

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

Share capital

Ordinary shares
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.

Repurchase of share capital
Where share capital classified as Equity is reacquired by the Company, the amount paid, including directly attributed costs, is viewed as a change in equity. Purchase of treasury shares are recognized as a deduction from equity.

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

Employee benefits

Post employee benefits
Post employee benefits contain the pension plans. The Group provides post-retirement remuneration for

the majority of its employees in the form of 'defined contribution' pension plans via an independent fund or pension schemes.

Defined contribution plans
The contribution paid for defined contribution plans is immediately recognized in the income statement.

Share based payments and related benefits
The warrant plan enables Group employees to acquire shares of the Company. The warrant exercise price is equal to the market price of the underlying shares on the date of offer and no compensation cost or liability is recorded.

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

Provisions

A provision is recorded in the balance sheet whenever the Group has an existing obligation (legal or de facto) as a result of a past event and where it is probable that the settlement of this obligation will result in an outflow from the company 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. No provisions are taken 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 and other income

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

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

Government grants
Government grants are initially regarded as accrued income in the balance sheet 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.

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

The rent component of payments on finance leases is taken into profit or loss.

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

Expenses

Payments relating to operating lease agreements
Payments relating to operating lease agreements are taken into profit or loss on a straight-line basis over the lease period.

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

Finance income and expenses
Finance income and expenses consist of interest payable on loans and borrowings, interest income on funds invested, dividends, foreign exchange profits and changes in fair value on hedging instruments recognized in profit or loss.

Income taxes

Income tax expense consist of current and deferred tax. Taxes are recorded in profit or loss except where they relate to elements recorded directly in equity. In this case the taxes are recognized directly in equity.

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

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

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

Segment information

A segment is a clearly distinguishable component of the Group that produces individual goods or individual services within a defined economic environment (geographic segment) or within a particular Business segment and which has a return and risk profile different to that of other segments.

Discontinued operations

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

Capital management

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

The Board seeks a conservative balance between the higher return that is potentially available with a higher level of borrowing, and the benefits and security of a solid equity position. In seeking this balance, the Board of Directors' objective is to not exceed a pre-defined ratio of debt to EBITDA.

Own shares are purchased by means of a share buy-in programme through a financial institution operating under a discretionary mandate. These shares are intended for issuing shares under the group's share option scheme. Buy and sell decisions are taken on an individual basis by the Board of Directors, as the group does not have a defined share buy-back plan.

No changes were made in the past year to the group's capital management approach.

New standards and interpretations not yet adopted

A number of new standards, amendments and interpretations were not yet effective in 2008 and are therefore not applied to the present consolidated financial statements:

- IFRS 8 *Operating Segments* introduces the so-called management approach to segment reporting. Under IFRS 8, which must be applied to the group's 2009 financial statements, this segment information needs to be reported on the basis of internal reports which are used on a regular basis by the group's 'chief operating decision maker' in order to assess the development of each segment and to allocate resources. Right now the group presents segment information for business units and geographic segments (see note no 6) to the financial statements).

- In the revised version of IAS 23 *Borrowing Costs*, the existing choice of expensing borrowing costs immediately or capitalizing them disappears. Under the revised rules, an entity is required to capitalize the financing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the costs of that asset. The revised version of IAS 23 must be applied to the group's 2009 financial statements. This will not give rise to a change to the group accounting policies and will therefore have no impact on the consolidated financial statement.

- IFRIC 13 *Customer Loyalty Programmes* covers the treatment of customer loyalty programmes that entities apply or in which they participate. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods of services. IFRIC 13, which must be applied to the group's 2009 financial statements, is not expected to have any impact on the consolidated financial statements.

- The revised version of IAS 1 *Presentation of Financial Statements* (2007) introduces the term 'total comprehensive income', which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The revised version of IAS 1 must be applied to the group's 2009 consolidated financial statements and is expected to have a limited impact on the presentation of the financial statements. The group intends to present the total comprehensive income in a single statement of comprehensive income commencing with the 2009 consolidated financial statements.

- In accordance with the revised IAS 32 *Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – puttable financial instruments and obligations arising on liquidation*, puttable financial instruments and instruments for which the entity is obliged to give a prorated part of the entity's net assets to a third party only in the event of liquidation are to be recognized as equity if certain conditions are fulfilled. The changes must be applied to the group's 2009 consolidated financial statements with retroactive application and are not expected to have any impact on the consolidated financial statements.

★ The revised IFRS 3 *Business Combinations* (2008) includes the following changes that are probably relevant for the group's activities:
- the definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations;
- contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss;
- transaction costs, other than share and debt issue costs, will be expensed as incurred;
- any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss;
- any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

The revised version of IFRS 3, which must be applied to the group's 2010 consolidated financial statements, is prospectively applied and accordingly has no impact on preceding periods in the consolidated financial statements 2010.

★ The revised IAS 27 *Consolidated and Separate Financial Statements* (2008) states that changes in the group's controlling interest in a subsidiary, when control is retained, are recognized as an equity transaction. If the group no longer has control of a subsidiary, any remaining interest in the former subsidiary is measured at fair value and the resulting profit or loss is included in the income statement. The changes to IAS 27, which must be applied to the group's 2010 consolidated financial statements, are not expected to have any impact on the consolidated financial statements.

★ The revised IFRS 2 *Share-based Payment – Conditions for unconditional promise and cancellation* clarifies the definition of vesting conditions, introduces the concept 'non-vesting' conditions, requires 'non-vesting' conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The changes to IFRS 2, which must be applied to the group's 2009 consolidated financial statements, with retroactive application, are not expected to have any impact on the consolidated financial statements.

★ IFRIC 14 *The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction* clarifies that pension assets are available if, at balance sheet date, there is an unconditional right to the surplus now or in the future by means of reimbursements and/or reductions in future contributions. IFRIC 14, which must be applied to the group's 2009 consolidated financial statements, with retroactive force, is expected to have no impact on the consolidated financial statements.

- IFRIC 15 *Agreements for the Construction of Real Estate* concludes that revenues from real estate development projects in many cases have to be recognized using the completed contract method, except in specific situations when revenues have to be recognized using the percentage of completion method. This is the case when a contract relates to the sale of assets, but the criteria for revenue recognition (for the completed part of the contract) are met continuously during the construction of those assets. IFRIC 15, which must be applied to the group's 2009 consolidated financial statements, with retroactive application, is expected to have no impact on the consolidated financial statements.

- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* deals with a number of topics related to the hedging of currency risks on foreign operations (net investment hedges). IFRIC 16 specifically confirms that only the risk between the functional currency of the parent and the subsidiary can be hedged. Additionally, currency risks can only be hedged by every (direct or indirect) parent, insofar as the risk is only hedged once in the consolidated financial statements. IFRIC 16 also states that the hedging instrument used to hedge a net investment in a foreign entity may be held by every group company, except the foreign activity itself. IFRIC 16, which must be applied to the group's 2009 consolidated financial statements, with prospective application, is expected to have no impact on the consolidated financial statements.

- IFRIC 17 *Distributions of Non-cash Assets to Owners* deals with the recognition of distributions on kind to shareholders. Distributions of assets that are ultimately controlled by the same party or parties before and after distribution (common control transactions) are outside the scope of IFRIC 17. A liability must be recognized if the dividend payment is authorized and is no longer at the discretion of the company, to be measured at the fair value of the non-cash assets to be distributed. IFRIC 17, which must be applied to the group's 2010 consolidated financial statements, with prospective application, is expected to have no impact on the consolidated financial statements.

- IFRIC 18 *Transfers of Assets from Customers* deals with the recognition by access providers of property, plant and equipment contributed to them by customers. Recognition of the assets depends on who has control of the asset. If an asset is recognized by an access provider, initial recognition must be at fair value. The time at which the related revenue is recognized depends on the facts and the circumstances. IFRIC 18, which must be applied to the group's 2010 consolidated financial statements, with prospective application, is expected to have no impact on the consolidated financial statements.

- The amended IFRS 1 *First-time Adoption of International. Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statement – cost of an investment in a subsidiary, jointly controlled entities, and associates* revises (among other things) the recognition of pre-acquisition dividends received from participations. These dividends must be recognized as revenue, but may be an indication of an impairment of the participation. The amendment, which must be applied to the group's 2009 consolidated financial statements, with prospective application, is expected to have no impact on the consolidated financial statements.

★ The amended IAS 39 *Financial Instruments: Recognition and Measurement – eligible hedged items* provides additional guidance concerning specific positions that qualify for hedging ('eligible hedged items'). The amendment, which must be applied to the group's 2010 consolidated financial statements, with retroactive application, is expected to have limited impact on the consolidated financial statements.

★ Improvements to IFRS (2008) is a collection of minor improvements to existing standards. This collection, which must be applied to the group's 2009 consolidated financial statements, is expected to have limited impact on the consolidated financial statements.

2. Segment reporting

Segment information is given for the Group's geographic and business segments. The primary basis of segmentation is geographic and reflects 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.

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-by-country basis. The main geographic markets are Belgium, France and Spain. The Polish and Swiss activities are combined in the 'other' geographic segment.

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.

Business segments

The Group distinguishes the following business segments:

- Cinema: All cinema-related activities, such as Box Office, Food & Beverage, Media Events, etc.
- Rentals: Covers the leases of part of the building to third parties, mainly for restaurant and/or café-related activities. This segment also includes the cinema complex in Poland that is leased to Cinema City.
- Other: Covers the activities of Kinepolis Film Distribution and the Technical Division. The technical division provides mainly technical support relating to the use and maintenance of projectors.

2.1 PRIMARY SEGMENT: GEOGRAPHIC

SEGMENT INFO IN '000 €	BELGIUM		FRANCE		SPAIN		
	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	
Segment revenue	118 884	116 366	58 113	54 068	41 384	42 810	
Inter-segment revenue	-6 118	-5 695					
Revenue	112 766	110 670	58 068	54 068	41 384	42 810	
Cost of sales	-81 257	-80 395	-46 672	-45 229	-32 290	-33 431	
Gross profit	**31 509**	**30 275**	**11 441**	**8 839**	**9 094**	**9 378**	
Distribution expenses	-8 623	-8 879	-1 935	- 2 252	-1 275	-1 814	
Administrative expenses	-11 561	-11 237	-1 467	-1 638	-1 099	-1 176	
Other operating income	205	222	1 823	1 645	70	670	
Other operating expenses	-1	-221	-239	-154			
Segment profit	**11 530**	**10 161**	**9 624**	**6 440**	**6 789**	**7 058**	
Finance expenses							
Finance income							
Profit before tax							
Income tax expense							
PROFIT FOR THE PERIOD							
Other intangible assets	1 901	1 689	399	435	240	145	
Goodwill	7 281	7 281	2 603	2 603	2 374	2 374	
Property, plant and equipment	104 232	108 086	81 333	84 575	50 264	52 496	
Investment property							
Deferred Tax Assets							
Derivative financial instruments							
Non-current trade and other receivables	29	33	16 119	16 512	283	274	
Other financial assets							
Non-current assets	**113 444**	**117 090**	**100 454**	**104 126**	**53 160**	**55 289**	
Inventories	1 778	1 738	273	245	197	194	
Trade receivables	8 372	7 953	2 881	2 708	1 757	1 890	
Other receivables	3 301	3 248	1 924	2 932	142	114	
Income tax receivable							
Advances							
Cash and cash equivalents							
Derivative financial instruments							
Total Current Assets	**13 450**	**12 939**	**5 078**	**5 885**	**2 096**	**2 197**	
Assets classified as available for sale							
TOTAL ASSETS	**126 894**	**130 029**	**105 532**	**110 011**	**55 256**	**57 486**	

	OTHER (PL+CH)		NOT ALLOCATED		TOTAL		SEGMENT INFO IN '000 €
	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	
	4 614	4 775			**222 996**	218 019	Segment revenue
					-6 118	-5 695	Inter-segment revenue
	4 614	4 775			**216 877**	212 324	Revenue
	-3 313	- 3 582			**-163 532**	- 162 637	Cost of sales
	1 301	**1 194**			**53 346**	**49 687**	**Gross profit**
	-176	-186			**-12 008**	-13 130	Distribution expenses
	-365	-346			**-14 493**	-14 397	Administrative expenses
	17	825			**2 116**	3362	Other operating income
	-3				**-243**	-375	Other operating expenses
	774	**1 487**			**28 718**	**25 146**	**Segment profit**
			-10 902	-10 054	**-10 902**	-10 054	Finance expenses
			2 512	3 164	**2 512**	3 164	Finance income
					20 328	**18 256**	**Profit before tax**
			-5 142	-3 530	**-5 142**	-3 530	Income tax expense
					15 186	**14 726**	**PROFIT FOR THE PERIOD**
	1	2			**2 540**	2 270	Other intangible assets
	6 502	6 502			**18 761**	18 761	Goodwill
	6 389	6 109			**242 218**	251 266	Property, plant and equipment
	14 413	15 008			**14 413**	15 008	Investment property
			1 969	2 056	**1 969**	2056	Deferred Tax Assets
				1 432		1 432	Derivative financial instruments
	919	801			**17 350**	17 621	Non-current trade and other receivables
			2 098	1 832	**2 098**	1 832	Other financial assets
	28 223	**28 423**	**4 067**	**5 320**	**299 349**	**310 247**	**Non-current assets**
	25	11			**2 272**	2 189	Inventories
	354	418			**13 364**	12 969	Trade receivables
	65	62	**6 148**	5364	**11 580**	11 720	Other receivables
			221	116	**221**	116	Income tax receivable
							Advances
			17 288	16 240	**17 288**	16 240	Cash and cash equivalents
				171		171	Derivative financial instruments
	444	**491**	**23 658**	**21 891**	**44 726**	**43 403**	**Total Current Assets**
			8 309	**10 234**	**8 309**	**10 234**	**Assets classified as available for sale**
	28 667	**28 914**	**36 034**	**37 444**	**352 383**	**363 884**	**TOTAL ASSETS**

2.1 PRIMARY SEGMENT: GEOGRAPHIC (CONTINUATION)

SEGMENT INFO IN '000 €	BELGIUM		FRANCE		SPAIN	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Capital & share premium						
Consolidated reserves						
Translation differences						
Equity attributable to equity holders of the company						
Minority interest						
Total equity						
Interest bearing loans and borrowings						
Employee benefits						
Provisions	1 037	979	85	168		
Deferred tax liabilities						
Derivative financial instruments						
Trade and other payables			12 040	13 320		
Non-current liabilities	**1 037**	**979**	**12 125**	**13 487**		
Bank overdraft						
Interest bearing loans and borrowings						
Trade and other payables	28 389	33 369	14 294	13 810	6 618	6 849
Provisions			1 564	1 549		
Derivative financial instruments						
Current income tax liabilities						
Current liabilities	**28 389**	**33 369**	**15 858**	**15 360**	**6 618**	**6 849**
TOTAL EQUITY AND LIABILITIES	**29 425**	**34 348**	**27 983**	**28 847**	**6 618**	**6 849**

CAPEX IN '000 €	BELGIUM		FRANCE		SPAIN	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Capex	**7 583**	**26 472**	**4 154**	**5 901**	**2 288**	**1 974**

NON-CASH ELEMENTS IN '000 €	BELGIUM		FRANCE		SPAIN	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Depreciation & amortization	11 095	11 470	7 391	6 839	4 383	4390
Other	690	72	-112	688		
TOTAL	**11 786**	**11 543**	**7 279**	**7 527**	**4 383**	**4 390**

	OTHER (PL+CH)		NOT ALLOCATED		TOTAL		SEGMENT INFO IN '000 €
	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	
			50 116	50 116	**50 116**	50 116	Capital & share premium
			67 394	63 695	**67 394**	63 695	Consolidated reserves
			-1 394	-1 373	**-1 394**	- 1 373	Translation differences
			116 116	**112 438**	**116 116**	**112 438**	**Equity attributable to equity holders of the company**
			1 190	**1 116**	**1 190**	**1 116**	**Minority interest**
			117 306	**113 554**	**117 306**	**113 554**	**Total equity**
			130 000	139 231	**130 000**	139 231	Interest bearing loans and borrowings
							Employee benefits
	717	869			**1 839**	2 016	Provisions
			13 869	13 959	**13 869**	13 959	Deferred tax liabilities
			4 217	3 292	**4 217**	3 292	Derivative financial instruments
	20	20			**12 060**	13 340	Trade and other payables
	737	**889**	**148 086**	**156 483**	**161 985**	**171 838**	**Non-current liabilities**
			2 280	49	**2 280**	49	Bank overdraft
			14 256	15 828	**14 256**	15 828	Interest bearing loans and borrowings
	650	673	**2 884**	2 982	**52 834**	57 683	Trade and other payables
					1 564	1 549	Provisions
			61	0	**61**	0	Derivative financial instruments
			2 097	3 383	**2 097**	3 383	Current income tax liabilities
	650	**673**	**21 579**	**22 241**	**73 093**	**78 492**	**Current liabilities**
	1 387	**1 562**	**286 971**	**292 278**	**352 383**	**363 884**	**TOTAL EQUITY AND LIABILITIES**

	OTHER (PL+CH)		NOT ALLOCATED		TOTAL		CAPEX IN '000 €
	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	
	147	**12**			**14 172**	**34 359**	**Capex**

	OTHER (PL+CH)		NOT ALLOCATED		TOTAL		NON-CASH ELEMENTS IN '000 €
	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	
	943	888			**23 813**	23 587	Depreciation & amortization
	67	86			**646**	846	Other
	1 010	**974**			**24 458**	**24 433**	**TOTAL**

2.2 SECONDARY SEGMENT: BUSINESS UNIT

SECUNDARY SEGMENT INFO IN '000 €	CINEMA		RENTALS		FILM DISTRIBUTION		
	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	
Segment revenue	205 857	200 846	7 897	7 301	5 880	7 020	
Intersegment revenues					-3 005	-2 966	
Revenues	**205 857**	**200 846**	**7 897**	**7 301**	**2 875**	**4 054**	
Segment Assets	**275260**	**284 984**	**38 054**	**37 353**	**1 187**	**1 996**	
Capex	**13 466**	**33 628**	**570**	**383**	**2**	**9**	

3. Other operating income (expenses)

IN '000 €	31/12/2008	31/12/2007
Capital gain/(loss) on disposal of property, plant and equipment	169	537
Government grants	1 183	1 054
Other	521	1 396
TOTAL	**1 873**	**2 987**

Capital gain on the disposal of property, plant and equipment
This capital gain derives mainly from the sale of land, plant and equipment.

Government grants
The Group receives government grants in France for building cinema complexes. These subsidies come from a fund which is financed by contributions from cinema operators in the form of a percentage of ticket sales. The grants are recorded as liabilities and taken into income over the useful life of the assets in question.

Other
This heading contains, as well as a number of smaller items, the reversal of a provision in relation to the VAT risk in France. In 2007 this item also included the sale of a 'building right' in Valencia (SP) for € 0.7 m.

	TECHNICS		UNALLOCATED		TOTAL		SECUNDARY SEGMENT INFO IN '000 €
	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	
	2 844	2 720			222 478	217 887	Segment revenue
	-2 595	-2 597			-5 600	-5 563	Intersegment revenues
	249	**122**			**216 877**	**212 324**	**Revenues**
	2 000	**2 055**	**35 882**	**37 496**	**352 383**	**363 884**	**Segment Assets**
	126	**339**	**8**		**14 172**	**34 359**	**Capex**

4. Personnel expenses

IN '000 €	31/12/2008	31/12/2007
Wages & salaries	-27 467	-27 171
Social security contributions	-7 746	-7 478
Pension plan contributions (defined contribution)	-185	-342
Share-based payments	-588	
Other personnel expenses	-1 569	-2 015
TOTAL	**-37 555**	**-37 006**

Total full-time equivalents at balance sheet date	1 383	1 438

5. Additional information on operating expenses by nature

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

IN '000 €	31/12/2008	31/12/2007
Personnel expenses		
Cost of sales	-29 147	-28 387
Distribution expenses	-2 463	-2 389
Administrative expenses	-5 945	-6 230
Other operating income / expenses		
TOTAL	**-37 555**	**-37 006**
Depreciation & amortization		
Cost of sales	-22 542	-22 464
Distribution expenses	-229	-211
Administrative expenses	-1 042	-912
Other operating income / expenses		
TOTAL	**-23 813**	**-23 587**

Exchange deals in revenue

Exchange deals worth € 6.2 m are included in revenue (2007: € 6.6 m).

6. Finance income (and expenses)

FINANCE INCOME IN '000 €	31/12/2008	31/12/2007
Interest income	337	106
Net foreign exchange gains	309	729
Changes in fair value of derivative financial instruments	305	948
Government grants	989	873
Other	572	508
TOTAL	**2 512**	**3 164**

The use of derivative financial instruments for hedging of interest and exchange rate risks is discussed further in note 24.

FINANCE EXPENSES IN '000 €	31/12/2008	31/12/2007
Interest charges	-7 953	-6 731
Foreign exchange losses	-673	-438
Changes in fair value of derivative financial instruments	-808	-1 083
Bank fee		-104
Other	-1 468	-1 698
TOTAL	**-10 902**	**-10 054**

Other finance expenses consist mainly of banking costs

7. Income tax expense

Recognized in profit or loss

IN '000 €	31/12/2008	31/12/2007
Current tax expenses	-4 891	-5 505
Deferred tax	-251	1 974
TOTAL INCOME TAX RECOGNIZED IN INCOME STATEMENT	**-5 142**	**-3 530**

Effective tax reconciliation

IN '000 €	31/12/2008	31/12/2007
Profit Before Tax	20 328	18 256
Belgian tax rate	33.99%	33.99%
Income tax using the company's domestic tax rate	-6 910	-6 205
Effect of Tax Rates in foreign juridictions	87	441
Non-deductible expenses	-654	-846
Tax-exempt income	2 296	1 813
Recognition/(use) of previously losses	218	418
Under/(over) provided in prior periods	-215	165
Change in tax rate		716
Other adjustments	36	-32
TOTAL	**-5 142**	**-3 530**
Effective tax rate	25%	19%

The effective tax rate has risen from 19% in 2007 to 25% in 2008. In 2007 the tax rate was exceptionally low due to the change in the tax rate in Spain from 35% to 30% and due to the recognition of tax benefits on the liquidation of a subsidiary. The notional interest deduction and the tax treatment of tax shelters, both included in 'Tax-exempt income', had a positive impact on the tax burden in both 2007 and 2008.

Deferred income tax recognized directly to equity
Relating to financial instruments to which hedge accounting is applied:

IN '000 €	31/12/2008	31/12/2007
On the effective portion of the change in fair value of the cashflow hedges	19	8

8. Other intangible assets

Other intangible assets (other than goodwill)

IN '000 €	PATENTS AND LICENCES (2008)	OTHER (2008)	INTERNALLY DEVELOPPED INTANGIBLE ASSETS (2008)	TOTAL (2008)	TOTAL (2007)
Acquisition value	1 378	4 681	1 021	7 081	5 695
Amortization and impairment losses	-987	-3 414	-409	-4 810	-3 310
Net carrying value at end of previous period	**391**	**1 267**	**612**	**2 270**	**2 385**
Net carrying value at end of previous period	391	1 267	612	2 270	2 385
Purchases	90	1 039	381	1 510	1 547
Sales/disposals					
Transfer to other categories	32			32	-38
Amortization	-68	-1 010	-194	-1 272	-1 624
Effect of exchange rate fluctuations					700
Impairment losses					
Net carrying value at end of period	**446**	**1 295**	**799**	**2 540**	**2 270**
Acquisition value	1 511	5 721	1 401	8 633	7 081
Amortization and impairment losses	- 1 065	-4 425	-602	-6 093	-4 810
NET CARRYING VALUE AT END OF PERIOD	**446**	**1 295**	**799**	**2 540**	**2 270**

The intangible assets other than goodwill consist mainly of software. Intangible assets developed in-house include the ticketing system.

9. Goodwill

IN '000 €	31/12/2008	31/12/2007
Balance at end of previous period	18 761	20 485
Impairment losses		
Disposals		-1 724
BALANCE AT END OF CURRENT PERIOD	**18 761**	**18 761**

This heading contains the differences expressed at the time of the first consolidation as at 1 January 1996, and those arising from the acquisition of participating interests in subsequent periods. Goodwill was subjected to impairment tests at cinema level (one level lower than the segments). In particular, the realizable value or the discounted cash flow (whichever is greater) was taken into consideration. The realizable value is based on the valuation made by an external expert. The discounted cash flows are calculated over the period 2009-2029. These are based on the 2009-2012 business plans as approved by the board of directors. For the next years the business plans were extrapolated based on consumer indexes and on key performance indicators which are inherent to the business plans. These were estimated at 2%. The projections were performed in the cinemas' functional currency and discounted at the weighted average cost of the cinema's capital. This weighted average cost varied between 6.4% and 9%. These tests did not lead to the recording of an impairment loss against goodwill.

On 19 January 2007 the activity of the Polish subsidiary was transferred to the ITIT cinema group. A capital gain of € 1.7 m was realized on this transfer. This capital gain was offset by the above-mentioned derecognition of the goodwill attached to this activity.

10. Property, plant and equipment

IN '000 €	LAND & BUILDINGS (2008)	PLANT & EQUIPMENT (2008)	ASSETS UNDER CONSTRUCTION (2008)	TOTAL (2008)	TOTAL (2007)
Acquisition value	341 748	129 301	1 086	**472 135**	462 589
Depreciation and impairment losses	-129 941	-90 928		**-220 869**	-206 144
Net carrying value at end of period	**211 807**	**38 373**	**1 086**	**251 266**	**256 445**
Net carrying value at end of previous period	211 807	38 373	1 086	251 266	256 445
Purchases	4 639	7 198	826	**12 663**	32 812
Sales / disposals	-146	-66	-1	**-212**	-1 200
Transfer to assets classified as held for sale					-538
Transfer to other categories	611	1	-644	**-32**	-14 621
Depreciation	-12 727	-9 384		**-22 111**	-21 567
Effect of exchange rate fluctuations	547	117	-19	**644**	-64
Other movements					
Impairment losses					
Net carrying value at end of period	**204 731**	**36 239**	**1 248**	**242 218**	**251 266**
Acquisition value	347 348	136 236	1 248	**484 833**	472 136
Depreciation and impairment losses	-142 617	-99 997		**-242 615**	-220 869
NET CARRYING VALUE AT END OF PERIOD	**204 731**	**36 239**	**1 248**	**242 218**	**251 266**

Purchases

The acquisitions under Plant & Equipment consist primarily of the digital projectors and the remodelling of a number of complexes. In 2007 a large proportion of the purchases (€ 12.2 m) concerned the investments with regard to the multiplex in Ostend, which opened in July 2007.

Leased buildings, machinery and equipment

In January 2007 the activities in Poland were transferred to ITIT. ITIT leases the cinema multiplex in Poland, which is still owned by Kinepolis.

The Group continues to lease machinery and installations in Spain under finance lease agreements. The Group has an option to purchase the installations at an advantageous price at the end of each lease agreement. At 31 December 2008 the carrying value of the leased machinery and installations was € 2.9 m (2007: € 4.2 m).

11. Investment property

IN '000 €	LAND AND BUILDINGS (2008)	MACHINERY AND EQUIPMENT (2008)	ASSETS UNDER CONSTRUCTION (2008)	TOTAL (2008)	TOTAL (2007)
Acquisition value	18 107	664		**18 771**	
Depreciation and impairment losses	-3 305	-458		**-3 763**	
Net carrying value at end of previous period	**14 802**	**206**		**15 008**	
Net carrying value at end of previous period	14 802	206		15 008	
Purchases	6	1		**7**	1
Sales / disposals		-3		**-3**	
Transfer to assets available for sale					
Transfer to other categories	1 958			**1 958**	14 659
Depreciation	-368	-62		**430**	-393
Effect of exchange rate fluctuations	-2 108	-19		**- 2 127**	741
Other movements					
Impairment losses					
Net carrying value at end of period	**14 290**	**123**		**14 413**	**15 008**
Acquisition value	17 438	564		**18 002**	18 771
Depreciation and impairment losses	-3 148	-441		**-3 589**	-3 763
NET CARRYING VALUE AT END OF PERIOD	**14 290**	**123**		**14 413**	**15 008**

Since 18 January 2007 the land, buildings and equipment at Poznan (Poland) are no longer used for Kinepolis' own operations, but have been leased out to Cinema City, owned by the ITIT cinema group.

As required by IAS 40 (investment property), the assets in question have been reclassified under this heading.

"Transfer to other categories" includes land in Poznan (Poland) that was previously recognized as 'assets classified as held for sale'. In accordance with IAS 40, this land is being held to realise a profit in the long term. This profit is not expected to be realized within the year.

The rental income from investment property amounts to € 1.0 m (2007: € 1.3 m). The direct operating charges (including repairs and maintenance) ensuing from investment property was € 0.4 m (2007: € 0.4 m).

The fair value of the investment property on a going concern basis as recently determined by an independent expert amounts to € 18.0 m

12. Deferred tax assets and liabilities

Recognized deferred taxes

IN '000 €	31/12/2008	31/12/2007
Deferred tax assets		
Property, plant and equipment and intangible assets	1 533	1 682
Investment grants receivable	2 639	2 909
Government grants	346	371
Derivative financial instruments through equity	19	
Tax losses carry forward and other deferred tax assets	4 518	5 183
TOTAL	**9 056**	**10 145**
Tax offsetting	-7 087	-8 089
Deferred tax assets	**1 969**	**2 056**
Deferred tax liabilities		
Property, plant and equipment and intangible assets	-18 674	-18 978
Provisions	-140	-137
Government grants	-2 142	-2 588
Derivative finacial instruments through profit or loss		-110
Derivative financial instruments recorded in equity		-235
TOTAL	**-20 956**	**-22 048**
Tax offsetting	7 087	8 089
Deferred tax liabilities	**-13 869**	**-13 959**

Temporary differences for which no deferred tax assets are recognized

No deferred tax asset is recognized in the balance sheet in respect of tax losses carried forward and temporary differences that would result in a deferred tax asset in an amount of € 38.9 m (2007: € 39.3 m) given it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

A deferred tax asset was set up for a company that was loss making in 2008. The business plans for the next five years, as approved by the Board of Directors, provide the possibility of recovering the losses for which this deferred tax asset has been set up within five years.

Temporary differences for which no deferred tax liabilities are recognized
There is no Group policy with respect to the payment of dividends by subsidiaries to the parent company. If an active dividend policy were to exist for all subsidiaries, this would require an additional deferred tax liability of € 1.0 m (2007: € 0.9 m).

13. Inventories

IN '000 €	31/12/2008	31/12/2007
Raw materials and consumables	83	60
Goods purchased for resale	2 189	2 129
TOTAL	**2 272**	**2 189**

Inventories include also the inventory of the group's technical department for an amount of € 1.1 m (2007: € 1.2 m).

The cost of sales of inventories recorded in the income statement in 2008 is € 76.2 m (2007: € 78.0 m)..

14. Trade and other receivables

Non-current trade and other receivables

IN '000 €	31/12/2008	31/12/2007
Cash guarantees	332	318
Trade receivables	919	801
Other amounts receivable	16 109	16 502
TOTAL	**17 350**	**17 621**

Trade receivables
The non-current trade receivables relate to a receivable from the ITIT cinema group in relation to the transfer of the activity in Poland to this group. This receivable is payable in January 2012 and is guaranteed by a Corporate Guarantee.

Other non-current receivables
The other non-current receivables relate to the government grants obtained in France.

Current trade and other receivables

IN '000 €	31/12/2008	31/12/2007
Trade receivables	13 364	12 968
Taxes receivable, other than income taxes	6 149	5 364
Deferred charges and accrued income	2 322	2 553
Tax shelter receivables	623	484
Other receivables	2 487	3 319
TOTAL	**24 945**	**24 688**

Tax shelter receivables

The tax shelter receivables consist of loans granted to third parties to finance audiovisual works.

Other current receivables

The other current receivables consist primarily of the short-term portion of the French government grants. These other current receivables contain no financial assets.

The ageing of the current trade receivables can be summarized as follows:

IN '000 €	GROSS 2008	IMPAIRMENT 2008	GROSS 2007	IMPAIRMENT 2007
Net carrying value	13 364		12 969	
Not yet due on reporting date	7 332	-4	4 176	-4
Less than 30 days past due	3 012	-24	3 763	-29
Between 31 and 120 days past due	1 661	-85	2 746	-67
Between 120 days and 1 year past due	1 069	-407	1 906	-338
Over 1 year past due	3 927	-3 118	4 117	-3 302
TOTAL	**17 001**	**-3 638**	**16 709**	**-3 740**

The movement on the allowances for impairment in respect of trade receivables can be summarized as follows:

IN '000 €	31/12/2008	31/12/2007
Situation at 1 January	-3 740	-3 393
Impairment loss recognized	73	-325
Effect of exchange rate fluctuations	29	-23
Situation at 31 December	-3 638	-3 740

No impairment allowance has been taken on past-due amounts where collection continues to be deemed likely. For the financial assets other than trade receivables there is no ageing problem.

15. Cash and cash equivalents

IN '000 €	31/12/2008	31/12/2007
Cash at bank and in hand	17 288	16 240
TOTAL	**17 288**	**16 240**
Bank overdraft considered in the cash flow statement	-2 231	
CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT	**15 057**	**16 240**

16. Other financial assets

IN '000 €	31/12/2008	31/12/2007
Financial assets available for sale	2 070	1 800
Other	28	32
TOTAL	**2 098**	**1 832**

Financial assets available for sale
The financial assets classified available for sale consist of Kinepolis's share in CinemaxX. This investment is recorded at fair value. In the IFRS opening balance sheet at 1 January 2004, the Company still had a 25% participating interest in CinemaxX, which was consolidated using the equity method. Given CinemaxX's negative equity at the time, CinemaxX was then recorded at zero. By decision of 28 October 2004 of the General Shareholders' Meeting of CinemaxX ag, shareholders agreed to increase the capital of the company by incorporating outstanding loans from Telemünchen Gruppe ag. This diluted Kinepolis's interest from 25% to 12.61%. Given that the Company has no significant influence on CinemaxX, the investment is viewed as a financial asset available for sale under IAS 39 and recorded under 'Financial assets available for sale'. CinemaxX is listed on the German stock exchange, and fluctuations in its fair value are recorded directly in equity.

In January 2009 Kinepolis Group nv sold its 12.61% minority stake (3 million shares) in German cinema group CinemaxX ag to H+Z Beteiligungs GmbH at a price of €1.00 per share.

Payment will be made in three instalments and a tranche of shares will be transferred each time. The first instalment and transfer of one million shares was completed on 30 January, the remaining two million shares will be transferred upon payment on 30 April and 31 July 2009.

The transaction will generate a profit for Kinepolis Group nv in 2009 equal to the sales price (€3 000 000).

Sensitivity analysis
The financial assets classified as available for sale consist solely of the participating interest in CinemaxX. The latter company is listed in Germany.

On 31 December 2008, CinemaxX was listed at € 0.69 per share (2007: € 0.60 per share). A 25% increase in the share price would positively impact equity by € 0.5 m (2007: € 0.4 m). A 15% fall in the share price would reduce equity by € 0.3 m (2007: € 0.3 m).

17. Assets classified as held for sale

IN '000 €	31/12/2008	31/12/2007
Net carrying value at end of previous period	10 234	11 002
Acquisitions		
Sales and disposals		-1 446
Transfer to/from other categories	-1 958	538
Other movements		
Effects of exchange rate fluctuations	33	140
NET CARRYING VALUE AND END OF PERIOD	**8 309**	**10 234**

The assets held for sale on 31 December 2008 consist of land in Valencia (Spain), a cinema in Liège (Belgium) and a plot of land in Gent (Belgium). Efforts to dispose of these assets are ongoing. The sales are expected to take place within the year.

18. Shareholders' Equity

The various components of equity and the changes between 31 December 2007 and 31 December 2008 are set out in the Consolidated Statement of Changes in Equity.

Issued capital
The share capital at 31 December 2008 amounts to € 49.0 m (2007: € 49.0 m), represented by 6 930 778 ordinary shares without nominal value. All shares are paid up in full. The share premium at 31 December 2008 amounts to € 1.2 m (2007: € 1.2 m). Ordinary shareholders are entitled to dividends as declared from time to time and to cast one vote per share at the Company's shareholder meetings.

On 31 December 2008 the Group owned 211 118 of its own shares (2007: 31 118). The authorization of the Board of Directors to increase the share capital in one or more instalments to a maximum of € 48 883 132.15 was renewed by the Extraordinary General Meeting of shareholders of 18 May 2007 for five years until 17 May 2012. The authorization to increase the share capital after notification of a public takeover bid was also renewed by the Extraordinary General Meeting of shareholders of 18 May 2007 for three years until 7 June 2010.

During the financial year the following movements have taken place in respect of the number of shares (in units)

IN UNITS	31/12/2008	31/12/2007
Situation at 1 January	6 930 778	6 930 778
Capital increase following the exercise of warrants (20 April 2007)		210 250
Capital increase following the exercise of warrants (5 June 2007)		11 250
Destruction of own shares, without capital reduction (18 May 2007)		-221 500
Situation at 31 December	6 930 778	6 930 778

Hedging reserves

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

Translation differences

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

Share-based payments

At 31 December 2008 a total of 207 924 options were allocated. These options entitle their holders to one share per option (see note 20). The option will expire ten years after the date of approval of the Plan by the Board of Directors , which is 5 November 2017.

Dividends

On 18 February 2009 a dividend of € 4.4 m or € 0.66 per share (2007: € 4.5 m or € 0.65 per share). was proposed. This dividend has not yet been approved by the General Meeting of Shareholders of Kinepolis Group nv and for this reason is not yet included in the consolidated financial statements.

Purchase /sale of own shares

On 31 December 2007 the group had a portfolio of 31 118 of its own shares. During 2008 an additional 180 000 shares were purchased, which brought the total number to 211 118 at 31 December 2008. Own shares have been purchased in view of the 2006-2007 share option plan.

19. Earnings per share

IN '000 €	31/12/2008	31/12/2007
Profit attributable to equity holders of the company	15 111	14 700
Weighted average number of ordinary shares	6 819	6 850
Effect of warrants		
Weighted average number of ordinary shares (diluted)	6 819	6 850
Basic earnings per share (in €)	**2.22**	**2.15**
Diluted earnings per share (in €)	**2.22**	**2.15**

Earnings per share

The earnings per share is based on the profit of € 15.1 m attributable to equity holders of the company (2007: € 14.7 m) and on a weighted average number of 6 819 329 ordinary shares outstanding during the year (2007: 6 850 222).

Diluted earnings per share

The diluted earnings per share is based on the net profit of € 15.1 m attributable to equity holders of the company (2007: € 14.7 m) and on a weighted average number of 6 819 329 diluted ordinary shares outstanding during the year (2007: 6 850 222). The options under the share based payment plan of November 2007 are anti-dillutive.

20. Share based payment transactions

Share based payment plan

On 5 November 2007 the Board of Directors approved a share based payment 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 can be allocated under this plan.

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

The total number of allocated options of the share option plan on 31 December 2008 was 207 924.

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

€ =UNLESS STATED OTHERWISE	
Fair value of allocated options	10
Exercise price	28.18
Expected volatility	31%
Expected term (in years)	10
Expected dividend growth	10%
Risk-free interest	**4.70%**

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

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 can be acquired in tranches of 12.5% per year on each anniversary of the allocation date.

21. Interest-bearing loans & borrowings

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

For further information on the Group's exposure to interest and exchange rate risks, see Note 24.

Non-current loans and borrowings

IN '000 €	31/12/2008	31/12/2007
Leasing and similar liabilities		231
Guaranteed loans and borrowings with credit institutions	130 000	139 000
Total non-current loans and borrowings	**130 000**	**139 231**

Current loans and borrowings

IN '000 €	31/12/2008	31/12/2007
Subordinated loans and borrowings		
Leasing and similar liabilities	253	1 513
Guaranteed loans and borrowings with credit institutions	14 000	14 312
Other loans and borrowings	3	3
Total current loans and borrowings	**14 256**	**15 828**

The table below gives an overview of the contractual maturities for the financial liabilities, including the estimated interest.

IN '000 €	1 YEAR OR LESS (2008)	1–5 YEARS (2008)	MORE THAN 5 YEARS (2008)	TOTAL (2008)
Non-derivative financial liabilities				
Trade payables	31 084			**31 084**
Tax shelter payables	510			**510**
Third party current account payables	119			**119**
Bank overdraft	2 280			**2 280**
Subordinated loans				
Leasing and similar rights	258			**258**
Guaranteed loans and borrowings with credit institutions	14 518	131 588	19 469	**165 575**
Other loans and borrowings	3			**3**
Financial derivatives				
Interest rate swaps	1 494	2 465		**3 958**
CCIRS	296	988	92	**1 376**
Interest rate options				
Forward exchange agreements	56			**56**
TOTAL	**50 500**	**135 040**	**19 561**	**205 101**

IN '000 €	1 YEAR OR LESS (2007)	1–5 YEARS (2007)	MORE THAN 5 YEARS (2007)	TOTAL (2007)
Non-derivative financial liabilities				
Trade payables	33 385			**33 385**
Tax shelter payables	266			**266**
Third party current account payables	340			**340**
Bank overdraft	49			**49**
Subordinated loans				
Leasing and similar rights	1 569	236		**1 805**
Guaranteed loans and borrowings with credit institutions	15 018	132137	33073	**180 228**
Other loans and borrowings	3			**3**
Financial derivatives				
Interest rate swaps	-848	-694		**-1 542**
CCIRS	370	2792		**3 162**
Interest rate options				
Forward exchange agreements				
TOTAL	**50 103**	**134 471**	**33 073**	**217 647**

Finance lease liabilities

The future minimum lease payments amount to:

IN '000 €	PAYMENTS 2008	INTEREST 2008	CAPITAL 2008	PAYMENTS 2007	INTEREST 2007	CAPITAL 2007
Less than one year	258	5	253	1 569	56	1 513
Between one and five years				236	5	231
More than five years						
TOTAL	**258**	**5**	**253**	**1 805**	**61**	**1 744**

22. Provisions

IN '000 €	TOTAAL 2008	TOTAAL 2007
Net carrying value at end of previous period	3 565	1 744
Provisions set up	629	1 844
Use of provisions	-284	-40
Reversal of provisions	-390	-38
Effect of exchange rate fluctuations	-117	56
Net carrying value at end of period	**3 403**	**3 565**
Net carrying value at end of period (non-current)	1 839	2 016
Net carrying value at end of period (current)	1 564	1 549
TOTAL	**3 403**	**3 565**

The provisions relate primarily to the reinstatement of land, a provision for VAT on food and beverages in France, a provision for authors' rights in Poland and a number of minor 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 2008 the balance sheet included a provision of € 0.9 m for the demolition of the building and to restore the land to its original state (2007: € 0.9 m).

VAT on food and beverages in France

In France, Kinepolis has applied the reduced VAT rate on food and beverages. Other cinema groups and similar enterprises also apply this reduced VAT rate. Given the uncertainty as to whether this reduced rate will be accepted by the tax authorities, a provision of € 1.5 m has been set up (2007: € 1.5 m).

Author's rights in Poland

Uncertainty exists in Poland with regard to the collection of authors' rights. A provision has been set up of € 0.7 m at 31 December 2008 (2007: € 0.8 m).

23. Trade and other payables

Non-current trade and other payables

IN '000 €	31/12/2008	31/12/2007
Other payables	12 060	13 340
TOTAL	**12 060**	**13 340**

The other non-current payables consist primarily of the government grants received in France. These government grants, amounting to € 11.7 m (2007: € 13.0 m), 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 €	31/12/2008	31/12/2007
Trade payables	31 084	33 835
Employee benefits	5 648	5 148
Taxes payable, other than income taxes	2 884	2 982
Tax shelter payables	510	266
Third party current account payables	119	340
Other payables	678	663
Accrued charges and deferred income	11 911	14 449
TOTAL	**52 834**	**57 683**

Accrued charges and deferred income
The accrued charges and deferred income relate primarily to ticket prepayments.

Other payables
The other payables do not include any financial liabilities

24. Financial instruments

Financial risk management

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

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

The Group also enters into derivative transactions, principally FRAs, interest rate swaps, interest rate options and cross currency interest rate swaps. The purpose is to manage the interest rate and currency risks arising from the Group's activities and its sources of financing.

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

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

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

Interest rate risk

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

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

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

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

In accordance with the IAS39 hedge accounting these interest rate swaps are determined as cash flow hedges. Therefore the effective portion of the change in fair value of the interest rate swaps is recognized directly in equity. The changes in fair value of the interest rate swaps recognized in equity give a loss of € 3 575 k at 31.12.08 (2007: a loss of € 24 k).

Kinepolis pursues a conservative financial policy. To hedge interest risk, since 2008 Kinepolis uses only derivative financial instruments whose movements in fair values are offset directly against equity and have no impact on the income statement (hedge accounting). Until the end of 2007 the movement in the fair value of the used derivative financial instruments to hedge the interest risk was mostly recognised in profit.

All interest rate derivatives deemed to be freestanding were ended in 2008. This generated a profit of € 160 k recognised in the income statement.

At 31 December 2008, after taking into account the effect of interest rate swaps and options, 70% of the Group's borrowings were at a fixed interest rate (2007: 47% at fixed interest and 27% with interest caps).

Interest risk sensitivity analysis
The interest-bearing loans with a variable interest rate amounted at balance sheet date to € 146.5 m (2007: € 155.1 m), equal to 100% of the total interest-bearing loans.

The total interest charged to profit or loss in 2008, after taking into account the effect of the derivative interest rate instruments, amounted to € 8.0 m (2007: € 7.4 m).

According to the company's estimates the market interest rate applicable to the variable interest rate can reasonably be expected to change as follows:

	INTEREST RATE 31/12/2008	THEORETICAL VOLATILITY	POSSIBLE INTEREST RATE 31/12/08 AS USED FOR THE SENSITIVITY ANALYSIS
Euribor 3 M	2.89%	20%	2.31% – 3.47%

Applying the possible increases/decreases in the market interest rates as given above to our variable rate borrowings at 31/12/2008, and all other variables being constant, the 2008 profit would be € 0.8 m lower/higher. We have estimated that this effect would be partially neutralized by the € 0.6 m higher or lower interest income from interest rate derivatives.

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

Group policy is focused on minimising the impact on profit of exchange rate fluctuations. Derivative financial instruments are used to immediately hedge any transactional exchange rate risk upon identification.

Less than 1% of the Group's sales and purchases are denominated in currencies other than the functional currency.

Loans between Kinepolis Financial Services nv and other group companies are expressed in the currency of the latter. The loans in CHF and PLN from Kinepolis Financial Services nv to Kinepolis Schweiz, Kinepolis Poznan Sp.z.o.o and Kinepolis Sp.z.o.o. are hedged with cross-currency interest rate swaps. These instruments are viewed as freestanding. The changes in the fair value of the CCIRSs are therefore recognized in the income statement. The total of the changes in the fair value of the CCIRS resulted in a gain of € 1 490 k at 31/12/08 (2007: a loss of €615 k). The revaluation of the above mentioned loans resulted in a loss of € 1 497 k at 31/12/08 (2007: a gain of € 654 k).

The group also incurs a foreign currency risk from consolidating foreign companies not having the EUR as their functional currency (currency translation risk).

At 31 December 2008, the Group had hedged 82% (2007: 89%) of its foreign currency exposure.

In the table below the foreign currency risks to which the group is exposed are given on the basis of the notional amounts.

IN '000 €	2008		2007	
	PLN	CHF	PLN	CHF
Borrowings	60 965	12 917	61 784	13 381
Interest rate swaps in different currencies (CCIRS)	-55 250	-8 861	-59 750	-10 224
Net exposure (PLN - CHF)	5 715	4 056	2 034	3 157

Currency risk sensitivity analysis

A. Foreign currency translation risk

Only 2% of the income of Kinepolis is realized by subsidiaries which undertake their activities in a currency other than the euro. When the financial data of these entities is converted into the Kinepolis presentation currency, which is the euro, a translation risk occurs. The currencies in which Kinepolis's subsidiaries operate are the Polish zloty and the Swiss franc. Based on a theoretical volatility of these currencies against the euro we have estimated the potential change in the exchange rates of these currencies against the euro as follows:

1 EURO IS EQUAL TO :	CLOSING RATE 31/12/08	AVERAGE RATE 2008	THEORETICAL VOLATILITY	POSSIBLE CLOSING RATE 31/12/08	POSSIBLE AVERAGE RATE 2008
Polish zloty	4.1724	3.5226	20%	3.34 – 5.01	3.82 – 4.23
Swiss franc	1.4888	1.5874	20%	1.19 – 1.79	1.27 – 1.90

B. Foreign currency transactional risk

Most of Kinepolis's financial instruments are expressed in the company's operating currencies. Where this is not the case, derivatives are used in order to cover the foreign currency risk.

For 2008 the transactional currency risk consists primarily of loans in currencies (PLN and CHF) other than the company's operating currency. The currency risks on these loans are covered by EUR variable / CHF variable and EUR variable / PLN variable interest rate swaps (CCIRS) in a total amount of € 18.7 m with final maturities in 2012, 2014 and 2015.

If at the balance sheet date the Polish zloty and the Swiss franc had weakened/strengthened as above, and all other variables being constant, the 2008 profit would have been € 0.9 m higher or € 0.6 m lower.

The group concluded three EUR/USD forward foreign exchange contracts in December 2008 for a nominal value of € 771 k with due dates in January and February 2009 to cover purchases in USD as part of digitalization. The total changes in fair value of the forward foreign exchange contracts resulted in a decrease in equity of € 56 k at 31/12/08.

Credit risk

The credit risk with respect to trade receivables is deemed limited due to the large number of customers who pay cash. 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, with the result that the Group's exposure to bad debts is not significant.

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 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 amounted at 31 December 2008 to € 32.9 m (2007: € 33.9 m).

Liquidity risk

The Group seeks to maintain a balance between continuation in funding and flexibility through the use of credit lines, bank loans and finance leases. Group liquidity was insured through the in-house bank, Kinepolis Financial Services. The availability of cash is monitored by means of a liquidity plan and liquidity profile.

IN '000 €	CARRYING VALUE		FAIR VALUE	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Bank overdraft	2 280	49	2 280	49
Finance lease liabilities	253	1 744	253	1 744
Interest-bearing loans– variable interest	144 003	153 315	144 003	153 315
Interest-bearing loans – fixed interest				
TOTAL	**146 536**	**155 108**	**146 536**	**155 108**

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 table below gives the fair value and the carrying value of the main interest-bearing financial loans and borrowings.

The fair value of interest rate derivative financial instruments is determined by discounting the expected future cash flows based on current market interest rates and the interest rate curve for the remaining life of the investment. The fair value of forward foreign exchange contracts is calculated as the discounted value of the difference between the contract value and current forward exchange rates.

The table below gives the nominal or contractual amounts and the clean fair value of all outstanding derivative financial instruments. The nominal or contractual amounts reflect the volume of the derivative financial instruments outstanding at balance sheet date. As such they do not in any way represent the Group's risk on these transactions.

IN '000 €	NOMINAL OR CONTRACTUAL AMOUNT		FAIR VALUE	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Forward Exchange Contracts	771		-56	
Interest swaps with different currencies (CCIRS)	18 713	20 176	-1 215	-2 705
Interest forwards				
Interest swaps	101 914	118 957	-3 008	1 015
Interest options				
TOTAL	**121 398**	**139 133**	**-4 278**	**-1 689**

For other financial assets and liabilities, the fair value is equal to the carrying value.
The fair value of these derivative financial instruments is included in the Group's balance sheet as follows:

IN '000 €	ASSETS		LIABILITIES		NET	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Non-current		1 432	-4 217	-3 292	- 4 217	-1 860
Current		171	-61		-61	171
TOTAL		**1 603**	**-4 278**	**-3 292**	**-4 278**	**-1 689**

Debt portfolio

Under the Syndicated Loan Agreement (€ 175 m) of 26 November 2004, amended on 13 July 2007, Kinepolis Group granted pledge mandates on business assets and mortgage mandates on property in the amount of the outstanding financial debt. These mandates can be converted into actual pledges only if Kinepolis Group fails to meet certain commitments under the Loan Agreement.

The Term and Revolving Facilities 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. These covenants were attained in both 2007 and 2008.

In respect of interest-bearing loans and borrowings, the following table indicates the periods in which they reprice.

IN '000 €	31/12/2008		31/12/2007	
	TOTAL	< 1 YEAR	TOTAL	< 1 YEAR
Syndicated loan	144 000	144 000	153 000	153 000
Finance lease liabilities	253	253	1 744	1 744
Bank overdraft	2 280	2 280	49	49
Other borrowings	3	3	315	315
TOTAL	**146 536**	**146 536**	**155 108**	**155 108**

Hedging activities

The Group uses derivative financial instruments to hedge underlying transactional currency exposure and the interest rate risk. All derivative financial instruments are valued at marked to market. The following table gives the remaining term of the outstanding derivative financial instruments at closing date. The amounts given in this table are the notional amounts.

IN '000 €	< 1 YEAR (2008)	1-5 YEARS (2008)	> 5 YEARS (2008)	TOTAL (2008)
Foreign currency				
Forward Exchange Contracts	771			771
Cross Currency Interest Rate Swaps	1 902	16 811		18 713
Interest Rate				
Interest Rate Swaps	1 914	100 000		101 914
Interest rate collars				

IN '000 €	< 1 YEAR (2007)	1–5 YEARS (2007)	> 5 YEARS (2007)	TOTAL (2007)
Foreign currency				
Forward Exchange Contracts				
Cross Currency Interest Rate Swaps	1 902	16 073	2 200	20 176
Interest Rate				
Interest Rate Swaps	18 828	92 628	7 500	118 957
Interest rate collars				

25. Operating leases

Leases as Lessee

Non-cancellable operating lease rentals are payable as follows:

IN '000 €	31/12/2008	31/12/2007
Less than one year	2 129	1 861
Between one and five years	8 968	8 260
More than five years	16 284	29 901
TOTAL	**27 381**	**40 022**
Expense in profit or loss in respect of operating leases	2 129	1 861

The lease as lessee concerns the cinema multiplex in Valencia (Spain), which is leased over a term of 20 years

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 €	31/12/2008	31/12/2007
Less than one year	5 545	5 421
Between one and five years	9 057	9 884
More than five years	9 335	9 203
TOTAL	**23 938**	**24 508**
Rental income in profit or loss in respect of operating leases	6 714	6 294

The properties leased out consist on the one hand of the concessions, but the largest part of this amount consists of the Cinema City multiplex in Poznan (Poland) that has been leased to ITIT). The lease on the complex in Poland started in January 2007 and for a period of 10 years (extendable by 5 years). The rent consists of a fixed and a variable portion, the latter is expressed as a percentage of box office turnover. This variable rent amounted to € 0.7 m in 2008 (2007: € 0.6 m).

26. Capital commitments

Commitment to purchase a plot of land in Liège (Belgium) for building a cinema complex, subject to obtaining the necessary permits.

27. Contingencies

- Purchase option granted to a third party on land in Valencia next to Kinepolis Paterna, Spain.
- On 30 September 2008 Ostend local authority's decision to grant planning permission to build the Kinepolis multiplex in the town was annulled by the Council of State. Ostend local authority has begun work on a draft municipal spatial plan for the area in question to regularise Kinepolis Ostend's situation.
- The minority shareholders in Forvm Kinepolis have a put option on its shares, as soon as their shareholding falls under 20%. The price is dependent on EBITDA.
- Sale, subject to fulfillment of conditions precedent, of part of the land in Poznan adjacent to Kinepolis Poznan (Poland).
- A building right was assigned to a third party to build apartments, studios, ... On the land next to Kinepolis Gent. In exchange for a part of the land, the Company will acquire a percentage of these apartments and studios.
- Buying right vis-à-vis a third party on a property in the city of Liège (Belgium).

28. Related parties

Identity of related parties

There is a related party relationship between the Group, its subsidiaries, its directors and management in key positions.

Transactions with managers in key positions:

1. The managers in key positions are the group's two CEOs.
   In 2007 the managers were the members of the Executive Committee and the Operational Committee .
2. The remuneration of managers in key positions is as follows:

IN '000 €	31/12/2008	31/12/2007
Short-term employee benefits	940	1 707
Termination benefits		385
Share-based payments	588	

The CEOs and the President took part in the 2006-2017 group share option plan (Incentive Plan) (see Note 20).

3. Directors' remuneration

IN '000 €	31/12/2008	31/12/2007
Directors' remuneration	539	542

4. Related party transactions:
   - The Palace cinema complex in inner city Liège is leased from a related party, for € 0.25 m a year.
   - A loan amounting to € 0.2 m in total at 31 December 2008 was granted to the CEOs and the President of the Board of Directors. The interest rate applicable on these loans is the average annual interest paid by the company plus 10 base points.
   - Kinohold BIS sa performs certain administrative duties for the Group for which it charges a fee at the market rate.

29. Subsequent events

There were no events after year end that had an impact on the consolidated financial statement at 31 December 2008.

30. Group entities

Changes to the consolidation scope

- Newly included participating interests: no new companies were founded or acquired during 2008.
- Liquidations: Kinepoleast bv was liquidated in 2008.

LIST OF FULLY CONSOLIDATED COMPANIES

NAME	MUNICIPALITY	COUNTRY	VAT OR ENTERPRISE NUMBER	%
Kinepolis Liège nv	Hasselt	B	BE 0459 469 796	100
Decatron nv	Brussels	B	BE 0424 519 114	100
Eden Panorama sa (Max Linder)	Lomme	F	FR 02340483221	100
Kinepolis France sa	Lomme	F	FR 20399716083	100
Kinepolis Immo St.Julien-lès-Metz sas	Metz	F	FR 51398364331	100
Kinepolis Braine sa	Braine-L'alleud	B	BE 0462 688 911	100
Kinepolis Immo Hasselt nv	Hasselt	B	BE 0455 729 358	100
Kinepolis Immo Liège nv	Hasselt	B	BE 0459 466 234	100
Kinepolis Immo Multi nv	Brussels	B	BE 0877 736 370	100
Kine Invest sa	Pozuelo de Alarcon	S	ESA 824 896 59	100
Kinepolis Espana sa	Pozuelo de Alarcon	S	ESA 814 870 27	100
Kinepolis Film Distribution (KFD) nv	Brussels	B	BE 0445 372 530	100
Kinepolis Film Production (KFP) bvba (in liquidation)	Brussels	B	BE 0459 997 061	100
Kinepolis Granada sa	Pozuelo de Alarcon	S	ESA 828 149 55	100
Kinepolis Holding bv	Middelburg	N	NL 807760420B01	100
Kinepolis Jerez sa	Pozuelo de Alarcon	S	ESA 828 149 22	100
Kinepolis Le Château du cinéma sas	Lomme	F	FR 60387674484	100
Kinepolis Madrid sa	Pozuelo de Alarcon	S	ESA 828 149 06	100
Kinepolis Mega nv	Brussels	B	BE 0430 277 746	100
Kinepolis Mulhouse sa	Mulhouse	F	FR 18404141384	100
Kinepolis Multi nv	Kortrijk	B	BE 0434 861 589	100
Kinepolis Paterna sa	Pozuelo de Alarcon	S	ESA 828 149 14	100
Kinepolis Poznan spzoo	Poznan	P	NIP 5252129575	100
Kinepolis St. Julien-lès-Metz sa	Metz	F	FR 43398364331	100
Kinepolis Schweiz ag	Schaffhausen	ZW	CH 2903013216-5	100
Kinepolis spzoo	Poznan	P	NIP 5252184717	100
Kinepolis Thionville sa	Metz	F	FR 09419251459	100
Kinepolis Immo Thionville sa	Metz	F	FR 10419162672	100
Kinepolis Nancy sas	Nancy	F	FR 00428192819	100
Kinepolis Prospection sas	Lomme	F	FR 45428192058	100
Majestiek International sa	Luxemburg	L	LU19942206638	100
Forum Kinepolis sa	Nîmes	F	FR 86421038548	79.92
Megatix nv	Brussels	B	BE 0462 123 341	100

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 Kinepolis Group, the mandates and remuneration can be summarised as follows:

IN €	31/12/2008	31/12/2007
Remuneration of the statutory auditor	432 433	436 746
Remuneration for other services or assignments performed within the company by the statutory auditor	17 675	37 983
Other audit related services	16 675	12 500
Tax services		
Other	1 000	25 483
Remuneration for other services or assignments performed within the company by persons associated with the statutory auditor	284 170	182 866
Other audit related services		
Tax services	221 237	182 866
Other	62 933	
TOTAL	**734 278**	**657 595**

Statutory auditor's report to the General Meeting of Shareholders of Kinepolis Group nv on the consolidated financial statements for the year ended 31 december 2008 (free translation)

In accordance with legal and statutory requirements, we report to you on the performance of our audit mandate. This report includes our opinion on the consolidated financial statements together with the required additional comment.

Unqualified audit opinion on the consolidated financial statements

We have audited the consolidated financial statements of Kinepolis Group nv ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated accounts comprise the consolidated balance sheet as of 31 December 2008 and the consolidated statements of income, changes in equity and cash flows for the year then ended, as well as the summary of significant accounting policies and the other explanatory notes. The total of the consolidated balance sheet amounts to € 352 383 (000) and the consolidated income statement shows a profit for the year of € 15 186 (000).

The board of directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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, legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Réviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we have considered internal control relevant to the company'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. We have also evaluated the appropriateness of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, we have obtained from management and responsible officers of the company the explanations and information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the group's net worth and financial position as of 31 December 2008 and of its results and 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.

Additional comment

The preparation of the management report on the consolidated financial statements and its content are the responsibility of the board of directors.

Our responsibility is to supplement our report with the following additional comment, which do not modify our audit opinion on the financial statements:

★ The management report on the consolidated financial statement includes the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the group is facing, and on its financial situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

Kontich, 17 April 2009

KPMG Réviseurs d'Entreprises
Statutory auditor
represented by

Sophie Brabants
Réviseur d'Entreprises / Bedrijfsrevisor

Extract from the unconsolidated financial statements of Kinepolis Group nv, drawn up under Belgian accounting principles

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

Given that Kinepolis Group nv is essentially a holding company that accounts for its investments at cost in its unconsolidated statements, these separate financial statements give only a limited view of the financial position of Kinepolis Group nv. For these reasons the Board of Directors has deemed it appropriate to present only a condensed unconsolidated balance sheet and income statement, prepared according to Belgian accounting principles for the year ending on 31 December 2008.

The statutory auditor's report on these statements is unqualified and confirms that the unconsolidated financial statements of Kinepolis Group nv, prepared in accordance with Belgian accounting principles for the year ending on 31 December 2008, give a true and fair view of the financial position of Kinepolis Group nv in accordance with all legal and regulatory provisions.

These unconsolidated financial statements of Kinepolis Group nv can be obtained free of charge from the website of Nationale Bank van België (NBB.be), in section "Balanscentrale", subsection "Jaarrekeningen opzoeken" or from www.kinepolis.com. They can also be obtained free of charge from the Kinepolis Investor Relations department.

CONDENSED UNCONSOLIDATED BALANCE SHEET OF KINEPOLIS GROUP NV

IN '000 €	31/12/2008	31/12/2007
ASSETS		
Fixed assets	163 982	157 847
Formation expenses		9
Intangible fixed assets	726	703
Property, plant and equipment	1 516	1 237
Financial fixed assets	161 737	155 897
Current assets	70 619	97 628
TOTAL ASSETS	**234 601**	**255 475**
LIABILITIES		
Equity	79 985	90 192
Issued capital	48 963	48 963
Share premium	1 154	1 154
Legal reserve	4 415	4 415
Unavailable reserves	5 976	1 511
Available reserves	2 849	2 849
Profit carried forward	16 629	31 301
Provisions and deferred taxes	556	556
Long-term liabilities	130 000	139 000
Current liabilities	23 576	24 910
Accrued charges and deferred income	485	816
TOTAL EQUITY AND LIABILITIES	**234 601**	**255 475**

CONDENSED UNCONSOLIDATED INCOME STATEMENT OF KINEPOLIS GROUP NV

IN '000 €	31/12/2008	31/12/2007
Operating income	22 235	21 656
Operating expenses	-17 527	-19 556
OPERATING PROFIT	**4 708**	**2 101**
Net financial income	-5 005	19 586
Net extraordinary income/(charges)	-5 514	-5 003
Income tax expenses		-76
GAIN/(LOSS) FROM THE FINANCIAL YEAR TO BE INCORPORATED	**-5 811**	**16 608**

Mandates and remuneration of the statutory auditor at Kinepolis Group nv

The total remuneration of the Statutory Auditor amounted to € 120 750 for the year 2008 (2007: € 115 000). In addition to its remuneration within its audit mandate, the statutory auditor or persons with whom it has professional cooperation arrangements charged Kinepolis € 11 375 (2007: € 12 500) for other audit assignments, € 61 133 (2007: € 12 192) for other assignments outside the auditing mandate and € 172 737 (2007: € 146 860) for tax advisory services.

Investor Relations - contact details

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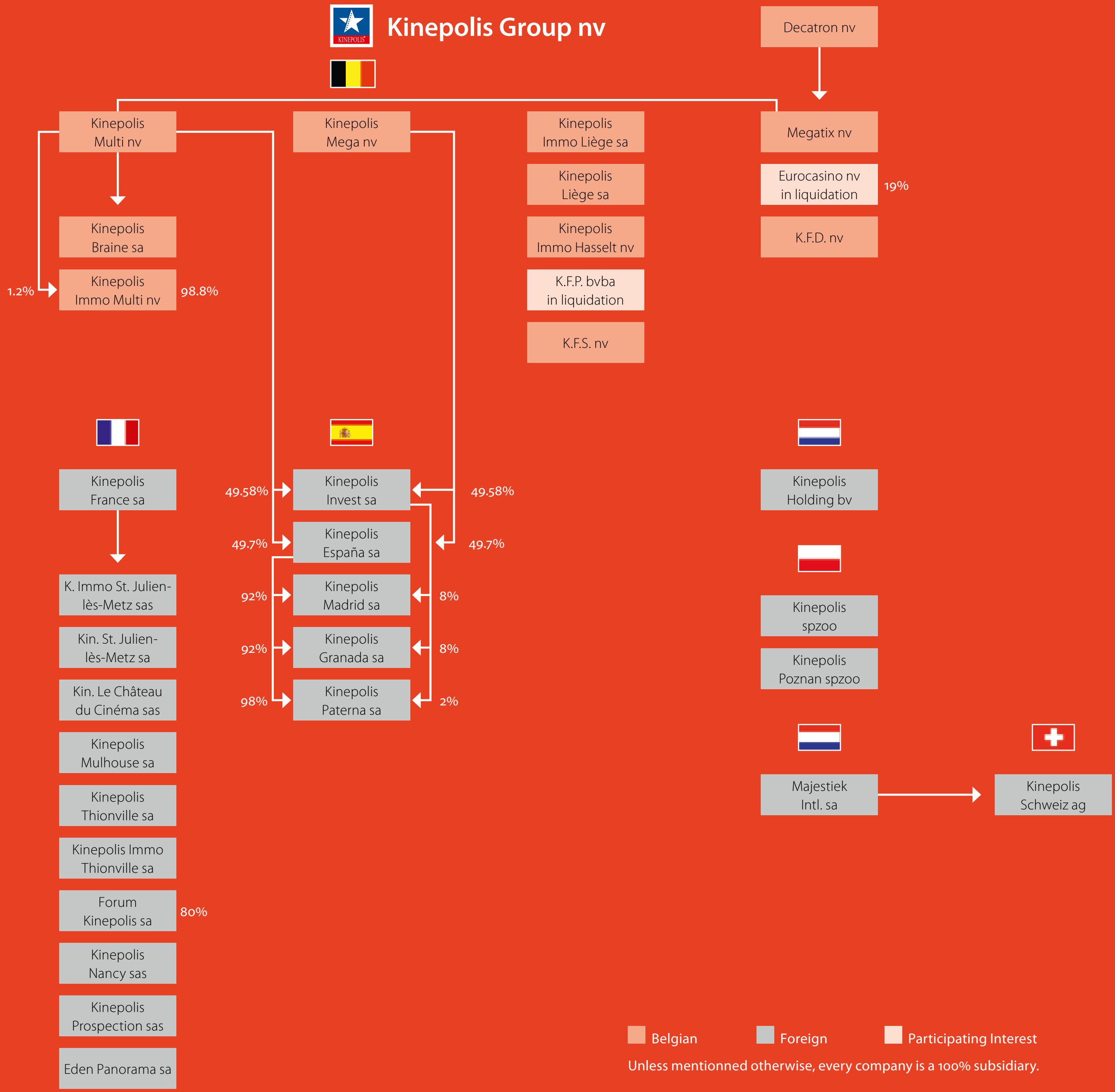
investor-relations@kinepolis.com



Kinepolis Group nv
Decatron nv
Kinepolis Multi nv
Kinepolis Mega nv
Kinepolis Immo Liège sa
Megatix nv
Kinepolis Liège sa
Eurocasino nv in liquidation
19%
Kinepolis Braine sa
Kinepolis Immo Hasselt nv
K.F.D. nv
1.2%
Kinepolis Immo Multi nv
98.8%
K.F.P. bvba in liquidation
K.F.S. nv
Kinepolis France sa
49.58%
Kinepolis Invest sa
49.58%
Kinepolis Holding bv
49.7%
Kinepolis España sa
49.7%
K. Immo St. Julien-lès-Metz sas
92%
Kinepolis Madrid sa
8%
Kinepolis spzoo
Kin. St. Julien-lès-Metz sa
92%
Kinepolis Granada sa
8%
Kinepolis Poznan spzoo
Kin. Le Château du Cinéma sas
98%
Kinepolis Paterna sa
2%
Kinepolis Mulhouse sa
Majestiek Intl. sa
Kinepolis Schweiz ag
Kinepolis Thionville sa
Kinepolis Immo Thionville sa
Forum Kinepolis sa
80%
Kinepolis Nancy sas
Kinepolis Prospection sas
Eden Panorama sa
Belgian
Foreign
Participating Interest
Unless mentionned otherwise, every company is a 100% subsidiary.

Colofon
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Creation: www.linknv.be
Photography: Bart Lasuy

Dit verslag is beschikbaar in het Nederlands, het Frans en het Engels.
Ce rapport est disponible en français, néerlandais et anglais.
This report is available in English, French and Dutch.
This Annual report is also published on our Investor Relations Website: www.kinepolis.com/investors

Thanks to all who contributed in one way or another to the realisation of the annual report.