KINEPOLIS GROUP NV, public limited company

Eeuwfeestlaan 20, 1020 Brussels

Enterprise Number VAT BE 0415.928.179 RPR Brussels

Report of the Board of Directors on the Statutory Financial Statements for financial year 2011 to the General Meeting of 18 May 2012

Free Translation

Dear Shareholders,

In accordance with Articles 95 and 96 of the Companies Code and our Articles of Association, we have the honor to report to you on the activities and profit and loss of our company during the financial year from 1 January 2011 to 31 December 2011.

1. Notes to the statutory financial statements of NV Kinepolis Group (Art. 96 1° Companies Code)

Kinepolis Group NV equity at 31 December 2011 was € 50 560 276.07 compared with € 101 724 255.06 at the end of 2010. This change is primarily explained by the capital reduction of € 4.33 per share on the one hand and the destruction of 349 423 treasury shares on the other hand.

The balance sheet total of Kinepolis Group NV is € 170 568 332.73 compared with € 197 261 553.73 in 2010. The underlying reason for this evolution is explained in 1.1 below.

1.1. Unconsolidated balance sheet: comments on the main assets

1.1.1. Formation expenses

The formation expenses are fully amortized.

1.1.2. Intangible assets

A number of major investments in the development of pricing strategy and methodology, in the websites and in the continued expansion of the Customer Relationship Management software suite was initiated in 2010. These investments continued in 2011.

1.1.3. Tangible fixed assets

A lease contract concluded in 2010 with NV Econocom for investments in digital projection systems also has an impact on the 2011 figures. New investments were made totaling € 2 071 636.92.

1.1.4. Financial fixed assets

The financial fixed assets are in line with 2010.

1.1.5. Amounts receivable after more than one year

The intercompany receivable has become a debt primarily due to the financing of the capital optimization.

1.1.6. *Amounts receivable within one year*

The rise in trade receivables is a logical consequence of the rise in turnover.

1.1.7 Investments

The rise in investments is a consequence of the additional buy-back of shares.

1.2. <u>Unconsolidated balance sheet: comments on the main liabilities</u>

1.2.1. Capital, share premium and profit carried forward

The financial year’s results were € 8 552 045.90. The fall in equity is due to the capital optimization.

1.2.2. *Amounts payable after more than one year*

Non-current loans and borrowings decreased further.

1.2.3. Amounts payable within one year

The rise in the current loans and borrowings is primarily a consequence of the capital optimization.

1.2.4. *Accrued charges and deferred income*

Accrued charges and deferred income increased because of the rising sale of cinema vouchers by NV Kinepolis Group.

1.3. Comments on the unconsolidated income statement

The profit for the financial year was € 8 552 045.90, compared with a profit of € 38 587 759.21 in 2010, when most of the revenue consisted of financial fixed assets.
Operating profit rose from € 4 765 899.28 to € 6 342 432.87.

The rise in operating profit is primarily due to higher Virtual Print Fee revenues (entire 2011 versus 5 months in 2010).

The fall in the net financial income is primarily due to a lower dividend payment by subsidiaries and the costs as a consequence of the capital optimization.

2. Key events after the end of the fiscal year (Art. 96 2° Companies Code)

On 23 January 2012 Kinepolis launched a new website, personalized iPhone, iPad and Android apps, and the My Kinepolis newsletter, tailored to the film and event lover in 2012. The Kinepolis website will also be personalized in the spring of 2012.

Within the framework of the refinancing of its existing syndicated credit and the financing of the further general development of the Group, on 15 February 2012 Kinepolis signed a new € 90 million credit facility agreement with ING Belgium, KBC Bank and BNP Paribas Fortis, and on 22 February 2012 published an invitation to subscribe to non-subordinated bonds in Belgium to generate at least € 50 million and up to € 75 million.
These bonds mature in seven years and have a fixed annual gross interest of 4.75 %. Due to the massive response, the subscription period was closed early on 22 February 2012 by mutual agreement between Kinepolis Group NV and the joint lead managers BNP Paribas Fortis, KBC Bank and ING Belgium.
The total amount of the issue was € 75 million. The bonds were issued and listed on NYSE Euronext Brussels on 6 March 2012.

On 29 February 2012 Kinepolis Group announced a new share buy-back program, by which an intermediary is mandated to buy up to 300 000 own shares on or off the stock exchange from 1 March 2012 up to an including 31 May 2012.

Mr Nicolas De Clercq was appointed Chief Financial Officer of Kinepolis Group on 12 March 2012. Nicolas De Clercq succeeds Henk Rogiers, who has decided to end the working relationship by mutual agreement with the Company. Nicolas De Clercq, 40 years old, has many years' international financial experience in various sectors. Previously he was Vice President Finance at USG People, where he had financial responsibility for USG People's Dutch and German markets. In the past he has held various financial management positions at KBC (Kredietbank), Telenet, Solvus and USG People. He has extensive management experience in finance and IT, including integrating new acquisitions. He has been responsible for various back office and shared service centre integrations as well as for streamlining financial and operating processes.

3. Information about the circumstances that could have a significant impact on the development of the company – Principal risks and uncertainties (Art. 96 1° and 3° Companies Code)

Performance indicators

The financial statements and the annual report give a true and fair view of the Company's development and position, so that no further description of the essential financial and other performance indicators is needed in addition to the data already included in the consolidated annual report of Kinepolis Group.

Description of the main business risks

On an annual basis, the Board of Directors and Management conduct a risk assessment to gain insight into the main business risks, which assessment is subsequently analyzed and approved by the Board of Directors. As in 2010, in 2011 this occurred on the basis of a written survey of the participants, which led to both quantitative and qualitative results, enabling risks to be assessed in order of scale. Although this way of working enables Kinepolis to distinguish important risks from less important risks in a well-founded way, it remains an estimation that, inherent to the definition of risk, provides no guarantee whatsoever of the actual occurrence of risk events. The following list therefore contains only some of the risks to which Kinepolis is exposed.

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

Political, regulatory and competition risks
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Employee risks
As a service company, Kinepolis Group largely depends on its employees to provide high-quality service. Hiring and retaining the right managers and employees with the requisite knowledge and experience in all parts of the Company is therefore a constant challenge. Kinepolis accepts this challenge by offering attractive terms of employment, good

knowledge management and a pleasant working atmosphere. Kinepolis measures employee satisfaction on the basis of employee surveys and where necessary improves its policies.

4. Acquisition of treasury shares (Art. 624 and 630 Companies Code)

4.1. The Extraordinary General Meeting of the twentieth of May two thousand and eleven expressly authorized the Board of Directors to acquire, by purchase or exchange, in accordance with the provisions of the Companies Code, up to one million seventy-four thousand two hundred and seventy (1,074,270) of the company's shares or profit-sharing certificates or certificates relating thereto, **with a view to destruction** (which however does not have to occur immediately, but rather can occur at a time the Board of Directors deems suitable), directly or through a direct subsidiary within the meaning of Article 627 of the Companies Code or through a person acting in his or her own name but on behalf of the company or such a direct subsidiary, at a price that must not be lower than the book value per share and not higher than one hundred and fifteen percent (115%) of the closing price at which the shares were listed on Euronext Brussels on the day preceding the day of the purchase or exchange, in such a way that the company as well as direct subsidiaries within the meaning of Article 627 of the Companies Code and persons acting in their own name but on behalf of the company or such a direct subsidiary shall at no time hold shares with a book value higher than twenty per cent (20%) of the issued capital of the company. This authorization is valid for a term of five years, from the deed of amendment of the articles of association of the twentieth of May two thousand and eleven. This authorization can be renewed.

The Board of Directors was also expressly authorized by the Extraordinary General Meeting of the twentieth of May two thousand and eleven to destroy the acquired shares of the company at a time the Board of Directors deems suitable, if it considers this to be expedient. The Extraordinary General Meeting took the decision that the Board of Directors may use this authorization at any time, more than once if desired. The Extraordinary General Meeting thereby also authorized the Board of Directors to in such cases adapt the numbers of shares stated in the articles of association in accordance with this destruction and to have the necessary amendment to the articles of association notarized on behalf of the company.

The Extraordinary General Meeting of the twentieth of May two thousand and eleven expressly authorized the Board of Directors to acquire, by purchase or exchange, in accordance with the provisions of the Companies Code, up to 34 654 of the company's shares or profit-sharing certificates or certificates relating thereto, with a view to hedging up to 34 654 new options to be issued as part of a proposed expansion of the 2007-2016 Share Option Plan, directly or through a direct subsidiary within the meaning of Article 627 of the Companies Code or through a person acting in his or her own name but on behalf of the company or such a direct subsidiary, at a price that must not be lower than the book value per share and not higher than one hundred and fifteen percent (115%) of the closing price at which the shares were listed on Euronext Brussels on the day preceding the day of the purchase or exchange, in such a way that the company as well as direct subsidiaries within the meaning of Article 627 of the Companies Code and persons acting in their own name but on behalf of the company or such a direct subsidiary shall at no time hold shares with a book value higher than twenty per cent (20%) of the issued capital of the company. This authorization is valid for a term of five years, from the deed of amendment of the articles of association of the twentieth of May two thousand and eleven. This authorization can be renewed.

The Board of Directors was also authorized to dispose of the shares or profit-sharing certificates or certificates relating thereto, as well as of those acquired under the authorization granted by the Extraordinary General Meeting dd. 12 February 2008 to the Board of Directors, without being bound by the above price and time restrictions.

4.2. Pursuant to the above-mentioned authorization, the Board of Directors granted the following discretionary powers:

- To Petercam NV: under the above-mentioned agreement, valid between 1 September 2011 and 8 November 2011, a total of 300 000 own shares were bought back for a total amount of € 16 473 346.77;
- To KBC Bank NV: under the above-mentioned agreement, valid between 1 December 2011 and 29 February 2012, a total of 95 502 own shares were bought back in 2011 for a total amount of € 5 171 728.38.

4.3. After the destruction by the Board of Directors on 14 December 2011 of 349 423 own shares, the total number of outstanding own shares held by the company on 31 December 2011 was 323 310, representing 4.91 % of the new number of shares in circulation and with a total capital value of € 931 034.

5. Use of financial instruments (Art. 96 8° Companies Code)

The company has concluded interest swap agreements to manage the risk associated to interest fluctuations. These interest hedges totaled € 57 500 000 on 31 December 2011.

6. Corporate Governance Statement

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

In this chapter of the annual report more factual information is provided on the Corporate Governance policy pursued in the fiscal year 2011, together with an explanation of the deviations from the Code in accordance with the 'comply or explain' principle.

6.1. Issued capital

Following the capital reduction of € 30 010 268.74 carried through by the Extraordinary General Meeting of 20 May 2011, at 31 December 2011 the authorized capital amounted to € 18 952 288.41.

This Extraordinary General Meeting also authorized the Board of Directors to buy back, under certain conditions, up to 1 108 924 own shares, of which 1 074 270 for destruction and 34 654 to hedge new options. In 2011 the Company bought back 395 502 shares under this authorization.

After the destruction of 349 423 treasury shares by the Board of Directors on 15 December 2011, the authorized capital is represented by 6 581 355 shares without nominal value, all of which give the same rights to holders. After the destruction, as at 31 December 2011 Kinepolis held 323 310 treasury shares with a combined capital value of € 931 034.

The Board of Directors has the power until 7 June 2012 to increase the authorized capital, through one or more transactions up to a maximum of € 48 883 132.15.

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

According to the provisions of the articles of association, eight directors will be appointed from among the candidates nominated by Kinohold Bis SA, limited company under the laws of Luxembourg, insofar as it or its legal successors, as well as all entities directly or indirectly controlled by (one of) them or (one of) their respective legal successors (within the meaning of article 11 of the Companies Code) solely or jointly hold at least thirty-five per cent (35%) of the shares of the Company, both when the candidate is nominated and when the candidate is appointed by the General Meeting, on the understanding that, if the shares held by Kinohold

Bis SA or its respective legal successors, as well as all entities directly or indirectly controlled by (one of) them or (one of) their respective legal successors (within the meaning of article 11 of the Companies Code) represent less than thirty-five per cent (35%) of the capital of the Company, Kinohold Bis SA or its respective legal successors shall only be entitled to nominate candidates to the Board of Directors for each group of shares representing five per cent (5 %) of the capital of the Company

6.3. Shareholder agreements

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

6.4. Change of control

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

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

6.5. Shareholders' structure and Received notifications

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

From this update, from later transparency notifications (within the framework of the Act of 2 May 2007 and the Royal Decree of 14 February 2008 on the disclosure of major stakes) and from reports within the framework of the share buy-back program, as of 31 December 2011:

- Kinohold Bis SA held 2 540 010 shares or 38.59 % of the shares of the Company; Kinohold Bis SA is controlled by Stichting Administratiekantoor Kinohold under Dutch law, which in turn is jointly controlled by the following natural persons (in their capacity of directors of Stichting Administratiekantoor Kinohold): Marie-Suzanne Bert-Vereecke, Joost Bert, Koenraad Bert, Geert Bert and Peter Bert; Kinohold Bis SA further acts in close consultation with Joost Bert;
- Kinepolis Group NV, which is controlled by Kinohold Bis SA, held 323 310 shares or 4.91 % treasury shares;
- Mr Joost Bert, who acts in close consultation with Kinohold Bis SA, held 41 600 shares or 0.6 % of the shares of the Company.

Shareholders' structure at 31 December 2011

Shareholder	Number of shares	%
Kinohold BIS and Mr Joost Bert	2 581 610	39.19
Kinepolis Group NV	323 310 (1)	4.91
Free Float of which:	3 676 435	55.86
Axa SA	505 416 (2)	7.68
Ameriprise Financial Inc (Threadneedle)	266 256 (2)	4.04
TOTAL	**6 581 355**	**100**

(1) Number of treasury shares varies based on the share buy-back program
(2) As resulting from the transparency notifications

6.6. Amendments to the articles of association

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

6.7. Board of Directors and Special Committees

Composition of the Board of Directors

After the resignation of Pentascoop NV, whose permanent representative is Mrs M.S. Bert-Vereecke, on 1 January 2012 the Board of Directors consisted of seven members, four of whom are deemed to be independent of the majority shareholders and management. These four directors fulfill the criteria for independent directors as stated in the Article 526 ter of the Companies Code and were appointed upon nomination by the Board of Directors, which was advised on this matter by the Nomination and Remuneration Committee. The majority shareholders did not use their nomination right with regard to these appointments.

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

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

The table on the previous page shows the composition of the Board of Directors as well as the attendance record of the various directors with respect to the 14 meetings that took place in 2011.

Directors as per 31 December 2011

Name	Position	Term ends	Other positions at listed companies	Attendance record
Mr Philip Ghekiere (1)(2)	Chairman	2012	/	All meetings
Mr Eddy Duquenne	CEO	2012	/	All meetings
Mr Joost Bert (2)	CEO	2012	/	All meetings
Mr Geert Vanderstappen, permanent representative of Management Center Molenberg bvba (1)	Independent Director	2014	Spector Photo Group nv: Director	13 meetings
Mr Marc Van Heddeghem(1)	Independent Director	2014	Leaseinvest Real Estate Bevak: Director/ Befimmo nv: Director	13 meetings
Mrs Marion Debruyne, permanent representative of Marion Debruyne bvba (1)	Independent Director	2012	/	12 meetings
Mr Rafaël Decaluwé, permanent representative of Gobes Comm. V.(1)	Independent Director	2012	Jensen Group NV: President	All meetings
Mandate ended on 31 december 2011:				
Mrs Marie-Suzanne Bert-Vereecke, permanent representative of Pentascoop NV (1)(2)	Honorary President		/	6 meetings

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

Activity Report of the Board of Directors

In addition to the duties assigned to the Board of Directors by the Companies Code, the articles of association and the Kinepolis Corporate Governance Charter, the following items were handled on a regular basis:

- Review of the monthly actual revenues and financial results together with the forecasts;
- Progress reports on ongoing cinema and real estate projects;
- Up-to-date treasury situation and cash flow planning.

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

- Discussion and establishment of the profit plan for the following fiscal year;
- Discussion and decision on new cinema and property opportunities;
- Establishment of the short-term and long-term strategy, including the financing strategy;
- Discussion on refinancing;
- Launch of the share buy-back programs;
- Reports of the Nomination and Remuneration Committee and the Audit Committee;
- Evaluation and establishment of the quantitative and qualitative management targets for Executive Management.

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

Nine meetings are scheduled in 2012. Additional meetings may be held if needed.

Composition and activity report of the Nomination and Remuneration Committee

In accordance with the possibility provided for in the Corporate Governance Code, Kinepolis Group has one joint committee – the Nomination and Remuneration Committee. At 31 December 2011 this committee comprised the following non-executive directors, the majority of whom were independent directors with the necessary expertise and professional experience in human resources, bearing in mind their previous and/or current business activities:

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

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

The NRC met four times in 2011 in the presence of all members and mainly dealt with the following:

- Proposals to set the qualitative and quantitative management targets with regard to the fiscal year 2011 for Executive Management and the corresponding variable remuneration and outperformance bonus;
- Evaluation of the attainment of the management targets with regard to the fiscal year 2010 and the variable remuneration and outperformance bonus of Executive Management for that fiscal year;
- The proposed remuneration policy for Executive Management for the fiscal years 2011-2012;
- An evaluation of the remuneration for the Board of Directors and its committees;
- The enlargement of the existing option plan;
- The Remuneration Report proposal to be submitted to the Board of Directors.

<u>Composition and activities report of the Audit Committee</u>

Pursuant to Article 526 bis of the Companies Code, as at 31 December 2011, the Audit Committee was exclusively composed of non-executive and independent directors with the appropriate expertise and professional experience in accounting and auditing, bearing in mind their previous and/or current business activities:

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

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

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

In 2011 the Audit Committee met four times, with all its members, and primarily the following items were handled:

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

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

Under its Chairman, the Board of Directors regularly evaluates its own size, composition, performance and those of its committees. An extensive formal evaluation was conducted at the beginning of 2011 and the appropriate measures were taken to implement the responses to its findings.

The scope of this evaluation consisted inter allia of:

- The composition of the Board of Directors and its committees, based on the nature of the Company and the future challenges, and bearing in mind the need for diversity within the Board in terms of competence in different disciplines, experience from different sectors, age and gender;
- Assessment of the director selection and appointment process;
- Assessment of the functioning of the Board of Directors and its committees;
- Analysis of whether the most important points on the agenda are properly prepared and discussed;
- Assessment of the effective contribution of each director by his or her presence at the meetings and his or her constructive participation in them, with due consideration for the competence of each individual director;
- Assessment of the remuneration of the directors and Executive Management;
- Interaction with Executive Management.

The evaluation process is initiated by the Chairman of the Board of Directors on the basis of a written procedure, the results of which are analyzed and discussed at the NRC as well as at the Board of Directors, where the appropriate conclusions are drawn. The non-executive directors also assess their interaction with Executive Management.

Executive Management

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

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

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

In 2012 a Code of Conduct will be introduced containing the appropriate guidelines, values and standards with regard to the ethical and fitting way Kinepolis wishes to treat employees, customers, suppliers, shareholders and the general public.

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

6.8. Remuneration report

Kinepolis Group provides transparent information on remuneration of members of the Board of Directors and Executive Management to its shareholders and other stakeholders.

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

Principles

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

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

The following principles are also employed:

- For the fulfilment of their duties as a member of the Board of Directors, the non-executive directors receive a fixed amount based on the number of meetings of the Board of Directors they attend;
- The members of the committees are also allocated a fixed amount every time they attend a meeting of the committee, with additional fixed remuneration for the Chairman of the Audit Committee;
- The Chairman of the Board of Directors and the Chief Executive Officers are allocated a fixed annual amount. The fixed amount allocated to the Chairman also comprises the remuneration for the attendance and Presidency of the NRC;

- The non-executive directors do not receive any bonuses, participation in long-term share-based incentive programs, benefits in kind or benefits related to pension plans;
- Alongside fixed remuneration, Executive Management receives variable remuneration dependent on the attainment of the management targets set by the Board of Directors on the recommendation of the NRC. These targets include both quantitative targets set annually, the criterion for which is the attainment of a certain level of consolidated current net profit, and qualitative targets, which are defined as targets that are to be attained over several years, progress of which is evaluated on an annual basis. The significant variable part of the remuneration ensures that the interests of Executive Management run parallel to the Group's, lead to value creation and loyalty, and provide the appropriate incentive to optimize the short-term and long-term objectives of the Group and its shareholders;
- Additional to this variable remuneration, an outperformance bonus may be allocated to Executive Management if the quantitative targets are substantially exceeded. Long-term incentives in the form of share options or other financial instruments of the Company or its subsidiaries may also be allocated to Executive Management. The remuneration package for Executive Management may additionally include participation in the corporate pension plan and the use of a company car;
- The Company's formal right to claim back variable remuneration and outperformance bonuses granted on the basis of incorrect financial data was not yet provided for in 2011. The Company will examine the introduction of such a right in more detail in the course of 2012;
- The exit compensation of a member of Executive Manage-ment in the event of early termination of a contract (entered into after 1 July 2009) will not exceed twelve months' basic and variable remuneration. A higher compensation may be granted in specific justifiable circumstances, on the recommendation of the NRC and with the prior approval of the General Meeting, but may never exceed eighteen months' basic and variable remuneration. In any event, the exit arrangement shall not exceed twelve months' basic remuneration and the variable remuneration shall not be obtainable if the departing person has not achieved the performance criteria stated in his or her contract.

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<u>Procedure</u>

The annual overall remuneration for the members of the Board of Directors will be established by the General Meeting following a proposal from the Board of Directors (on the basis of the recommendation by the NRC), which will be based on the amounts revised in 2011, with due regard for a minimum number of actual meetings of the Board of Directors and its committees. The apportionment of the overall portfolio to the individual members is a decision of the Board of Directors on the recommendation of the NRC, based on their actual attendance at the various meetings of the Board of Directors and its committees.

The above-mentioned revision was based on benchmarking using surveys conducted by independent third parties with regard to listed and other companies. As a result of the study, in 2011 the remuneration for non-executive directors was adjusted as follows to bring it into line with the rest of the market:

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- The remuneration for attending six or more meetings of the Board of Directors was raised from € 22 500 to € 32 500; the remuneration will be reduced proportionately if fewer meetings are attended;
- The remuneration for attending a meeting of the Audit Committee or the Nomination and Remuneration Committee was raised from € 2 500 to € 3 000 [(1)];
- The additional fixed remuneration for the president of the Audit Committee of € 3 750 remains unchanged;
- The fixed remuneration for the President of the Board of Directors of € 85 000 also remains unchanged.

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

The management targets to which the variable remuneration is linked and the amount of variable remuneration are proposed annually by the NRC and approved by the Board of Directors. The Board of Directors evaluates the attainment of these quantitative and qualitative targets on the basis of an analysis by the NRC. The attainment of the quantitative targets will be measured against current net profit on a consolidated basis. The qualitative targets to be attained over more than one year will be evaluated on an annual basis against progress towards each specific target.

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

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

In line with the remuneration policy, in the year under review the non-executive directors of the Company were remunerated for their services with a fixed amount per meeting of the Board of Directors and its committees. The president of the Audit Committee receives additional fixed remuneration.

The Chairman of the Board of Directors and the Chief Executive Officers are granted a fixed annual amount. The individual remuneration of directors in the fiscal year 2011 is shown in the table above. All amounts are gross amounts before tax.

[1] The relevant remuneration will be reduced for participation in meetings by phone.

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

Board of directors as at 31 December 2011

Name	Title	Remuneration 2011
Philip Ghekiere	Chairman	85 000
Eddy Duquenne	CEO	30 000
Joost Bert	CEO	30 000
Geert Vanderstappen (Management Center Molenberg bvba)	Independent Director	45 250
Marc Van Heddeghem	Independent Director	41 500
Mevr. Marion Debruyne (Marion Debruyne bvba)	Independent Director	32 500
Rafaël Decaluwé (Gobes Comm. V.)	Independent Director	50 500
Mandate ended on 31 December 2011:		
Mrs Marie-Suzanne Bert-Vereecke (Pentascoop NV)	Founding member – Honorary President	50 000([1])
Total		**364 750**

Furthermore, Pentascoop NV, whose permanent representative is Mrs M.S. Bert-Vereecke, was paid annual remuneration of € 166 996 for the industry know-how of Mrs M.S. Bert-Vereecke and her contribution to the development of the Group in her capacity of founder, in accordance with agreements made when Kinepolis Group was formed and as long as Mrs M.S. Bert-Vereecke remains a member of the Board of Directors. Bearing in mind the ending of her term of office, this remuneration will no longer be granted as of the fiscal year 2012. As a result of this ending and on an exceptional basis, the Board of Directors decided to grant Pentascoop NV a one-off golden handshake in the amount of € 200 000, in recognition of the major contribution to the development, growth and professionalization of Kinepolis Group.

[1] Fixed amount granted to the Honorary President.

All members of the Board of Directors as well as directors of the subsidiaries of the Company are also covered by a 'civil liability of directors' policy, the total premium of which amounts to € 20 484 (incl. tax) and is paid by the Company.

Application of the remuneration policy on the members of Executive Management

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

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

The amount of the variable remuneration ultimately granted to Executive Management depends on the fulfilment in 2011 of the annual management targets, which apply collectively to Executive Management and comprise both quantitative targets, of which the criterion is the attainment of a certain level of consolidated current net profit, and qualitative targets. The targets were established to ensure that they help attain not only the short-term goals but also the long-term goals of the Group.

In addition to the variable remuneration and if the quantitative management targets are substantially exceeded, the Board of Directors, on the recommendation of the NRC, has the discretionary power to allocate an outperformance bonus, the annual amount of which is set by the Board of Directors.

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

For the fiscal year 2010, given the fulfilment of the quantitative and qualitative management targets accounting for 70% and 30% respectively of the variable remuneration, as set by the Board of Directors assisted by the NRC, the variable remuneration was paid out in full to the members of Executive Management in a total amount of € 430 000. An outperformance bonus of € 231 636 was also paid out, because the quantitative targets were substantially exceeded.

Finally, it can be noted that, pursuant to contractual agreements reached prior to 1 July 2009, in the event of the early termination of the contract of one of the members of Executive Management and if there is a change in the control of the Company, the exit package can be

24 months' fixed remuneration plus the pro-rata part of the variable remuneration for the ongoing year.

Long-term incentives

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

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

On 25 March 2011 the Board of Directors decided to enlarge the Share Option Plan with an additional 34 654 new options, so that these options could be granted to new management staff.
In 2011 no shares or options were granted to the CEO's and no options were exercised. A further description of the characteristics of these options is provided in point 21 of the Notes to the Consolidated Financial Statements.

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

[1] In his former function as executive director

Fiscal years 2012-2013

In 2011 the remuneration package for Executive Management was established for the fiscal year 2012, as described before.

For the fiscal years as of 2013 a new benchmark test will be performed to ensure the remuneration in question remains in line with the remuneration for executive management of comparable companies.

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

Name	Remuneration	Cash amount paid (in €) (Excl. VAT)
Eddy Duquenne bvba	Fixed remuneration (1)	330 000
	Variable remuneration (2)	215 000
	Outperformance bonus (2)	154 000
	Car allowance (4)	33 185
	Total	732 185

Naam	Remuneration	Cash amount paid (in €) (Excl. VAT)
Joost Bert	Fixed remuneration (1)	285 000
	Variable remuneration (2)	215 000
	Outperformance bonus (2)	77 000
	Pensioenregeling (3)	9 789
	Car allowance (4)	30 120
	Total	616 909

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

(2) Received in 2011 for performances in 2010

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

(4) Indexed annually and excl. fuel card

6.9. Description of the main characteristics of the internal control and risk management systems

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

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

Roles and responsibilities

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

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

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

Application of the various components

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

Internal Environment

An appropriate internal environment is a precondition of being able to effectively apply other risk management components. With this in mind, Kinepolis Group values integrity and ethical action highly. Alongside the existing legal framework, Kinepolis Group endeavors to encourage and enforce this type of behaviour through preventive measures (such as work regulations, various policies and procedures) and detection measures (such as the reporting procedure and compliance inspections).

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

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

<u>Objective setting</u>

There must be explicit objectives before management can identify the risks that impact the attainment of these objectives and manage them in an effective and efficient way.

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

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

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

<u>Internal Control</u>

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

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

The Board of Directors and Management of Kinepolis conduct an annual risk assessment to acquire a general understanding of the business risk profile. The acceptability of residual risks is also assessed as part of this. If these are not acceptable, additional risk response measures are taken.

Information and Communication

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

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

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

6.10. **Compliance with the Corporate Governance Code**

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

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

- Contrary to Stipulation 5.5 of the Code, the Board of Directors believes that, bearing in mind its own limited composition, an Audit Committee comprising two independent members – both with the requisite auditing and accounting expertise – provides sufficient guarantees with regard to the appropriate and efficient functioning of the committee;
- Contrary to Stipulation 7.13., the Board of Directors approved the Share Option Plan 2007-2016 for the executive directors and members of the senior management on 5 November 2007. This plan serves, among other things, to

more closely align the interests of the above mentioned persons with the interests of the Company and to enable the Company to offer a more competitive remuneration package and as such to be able to hire the right persons in these positions. Bearing in mind that the above objectives are in the best interest of the Company, the Board of Directors does not deem it necessary to submit this point to the General Meeting.

- Contrary to Stipulation 4.6. of the Code, the professional qualifications and duties of the directors to be re-appointed were not stipulated in the convening notices to the General Shareholders' Meeting of 20 May 2011, given that these qualifications are already published in several press releases and annual reports.

7. Conflict of interests under the application of Article 523 of the Companies Code (Art. 523 Companies Code)

7.1. On 25 March 2011, pursuant to Article 523 of the Companies Code and after the directors in question had left the meeting, deliberations were held on:

- the allocation to Executive Management of the variable part of their remuneration over the preceding financial year:

Excerpt from the minutes

"Notification in accordance with Article 523 of the Companies Code

Messrs. Joost Bert and Eddy Duquenne inform the other directors that they have a conflict of interest of a proprietary nature within the meaning of Article 523 of the Companies Code, given that the Board of Directors is to take a decision on the achievement of the management targets by the Executive Management.

Messrs. Joost Bert and Eddy Duquenne duly leave the meeting and do not participate in the deliberations or vote on this agenda item.

Deliberations and decision

After a clarification by the president of the Nomination and Remuneration Committee the Board of Directors establishes that the qualitative and quantitative criteria for the granting of the variable remuneration and the outperformance bonus for Executive Management, as determined by the Board of Directors and the Nomination and Remuneration Committee in 2010, have been fulfilled and accordingly decides to grant in full the variable remuneration of EUR 215 000 per person and the outperformance bonus of EUR 77 212 to Mr Joost Bert and EUR 154 424 to BVBA Eddy Duquenne. The payment of these amounts to Executive Management can be made in April 2011.

- the establishment of management targets and remuneration for Executive Management for 2011

Excerpt from the minutes

Notification in accordance with Article 523 of the Companies Code

Messrs. Joost Bert and Eddy Duquenne inform the other directors that they have a conflict of interest of a proprietary nature within the meaning of Article 523 of the Companies Code, given that the Board of Directors is to take a decision on the remuneration for Executive Management in general and in particular on the management targets for the variable remuneration.

Messrs. Joost Bert and Eddy Duquenne duly leave the meeting and do not participate in the deliberations or vote on this agenda item.

The Board of Directors is then given an elaborate explanation by the President of the 2011-2012 remuneration policy for Executive Management, as formulated by the Nomination and Remuneration Committee, in particular the following basic elements:

- *Executive Management continues to be defined as the Co-CEOs.*
- *The remuneration package for Executive Management was the subject of benchmarking based on external studies (Executive Remuneration in Belgium, Xavier Baeten, Vlerick School and Executive Directors' Remuneration Survey, PWC)*
- *The remuneration package is set, with input from these external benchmarking studies, for the next two years. Contrary to the existing contractual agreement, the annual adjustment on the basis of the evolution of the consumer price index shall no longer be applied. In 2013 a new external benchmarking study shall be conducted in order to establish the remuneration package for the period 2013-2014 in accordance with market practice.*
- *The total remuneration package continues to be closely linked to performance and aligned to the creation of value for all stakeholders and consists of the following components:*
    - *Fixed remuneration for the individual members of Executive Management*
    - *Variable remuneration for the individual members of Executive Management based on on-target performance*
    - *Outperformance bonus for the individual members of Executive Management for exceeding the quantitative targets for on-target performance*
    - *Company car*
    - *Reminder: the Share Option Plan that was granted in 2008 and has a vesting period of eight years*
- *Quantitative and qualitative management targets are jointly established for Executive Management*
    - *Qualitative management targets are defined as targets to be achieved over several years, but are in consultation with Executive Management translated into deliverables to be achieved annually.*
    - *Quantitative management targets are established annually. They are established for 2011 on the basis of the growth of net current profit.*
    - *The General Meeting shall be asked to approve the establishment and payment of the performance-linked remuneration on an annual basis in line with existing practice within the Company.*

- *For 2011 the weighting between qualitative and quantitative management targets is 30%-70%.*
- *Potential impact on the management targets of measures to optimize the capital structure shall be neutralized.*

- *The 2011-2012 cash remuneration package for BVBA Eddy Duquenne is established as follows:*
  - *Fixed annual remuneration: € 360 000;*
  - *Maximum on-target variable remuneration: € 265 000;*
  - *Maximum outperformance bonus: € 150 000.*
- *The 2011-2012 cash remuneration package for Mr Joost Bert is established as follows:*
  - *Fixed annual remuneration: € 315 000;*
  - *Maximum on-target variable remuneration: € 215 000;*
  - *Maximum outperformance bonus: € 75 000.*
- *The qualitative management targets for 2011 are established as follows:*
  - *Long-term business plan (2011-2016)*
    - *Definition of long-term strategy for the Company*
      - *Risk profile and risk management*
      - *Debt ratio and optimizing the capital structure*
      - *Definition of M&A strategy (including markets, criteria, toolbox integration)*
    - *Drawing up of a long-term business plan with three scenarios and its presentation to the Board of Directors:*
      - *Full potential*
      - *Base case*
      - *Stress case*
  - *Strengthening of the internal organization*
    - *Implementation of the ICT master plan*
    - *Drawing up of a people development and management monitoring plan*
    - *Implementation of the Greenstar sustainability project*
      - *Eco-efficiency assessment of the real estate portfolio*
- *The quantitative management targets for 2011 are established as follows:*
  - *Pro rata granting of the on-target variable remuneration to the extent that net current profit is between € 28 million and € 30 million*

- *Pro rata granting of the outperformance bonus to the extent that net current profit is between € 30 million and € 32 million*

Deliberations and decision

After detailed clarification by the President of the proposed management targets and the remuneration for Executive Management for the financial year 2011, the Board of Directors approves after extensive deliberation the following points:

- *Executive Management continues to be defined as the Co-CEOs.*

- *<u>Remuneration package principles</u>*

  The remuneration package is, with input from one external benchmarking study, set for the next two years. Contrary to the existing contractual agreements, the annual adjustment on the basis of the evolution of the consumer price index shall no longer be applied.

  The total remuneration package continues to be closely linked to performance and aligned to the creation of value for all stakeholders and consists of the following components:

  - *Fixed remuneration for the individual members of Executive Management*
  - *Variable remuneration for the individual members of Executive Management based on on-target performance*
  - *Outperformance bonus for the individual members of Executive Management for exceeding the quantitative targets for on-target performance*
  - *Company car*
  - *Reminder: the Share Option Plan that was granted in 2008 and has a vesting period of eight years*

- *<u>Management target principles</u>*

  Quantitative and qualitative management targets shall be jointly established for Executive Management

  - *Qualitative management targets are defined as targets to be achieved over several years but in consultation with Executive Management these shall be translated into annually determined deliverables.*
  - *Quantitative management targets are established annually. They are established for 2011 on the basis of the growth of net current profit.*
  - *The General Meeting shall be asked to approve the establishment and payment of the performance-linked remuneration on an annual basis.*
  - *For 2011 the weighting between qualitative and quantitative management targets shall be 30%-70%.*
  - *Potential impact on the management targets of measures to optimize the capital structure shall be neutralized.*

- *<u>2011 remuneration package</u>*

The 2011-2012 remuneration package for BVBA Eddy Duquenne is established as follows:

- *Fixed annual remuneration:* *€ 360 000;*
- *Maximum on-target variable remuneration:* *€ 265 000;*
- *Maximum outperformance bonus:* *€ 150 000;*

The 2011-2012 remuneration package in cash for Mr Joost Bert is established as follows:

- *Fixed annual remuneration:* *€ 315 000*
- *Maximum on-target variable remuneration:* *€ 215 000*
- *Maximum outperformance bonus:* *€ 75 000*

- <u>*2011 management targets*</u>

  The qualitative management targets for 2011 are linked to the development of a long-term strategy for the Company, the implementation of a new ICT master plan, the drawing up of a people development and management monitoring plan and the development of a sustainable eco-efficiency policy for the real estate portfolio.

  The quantitative management targets for 2011 are calculated on the basis of the net current profit in accordance with the parameters set forth by the President.

The Board of Directors expresses the belief that the combination of fixed and variable remuneration aligns the interests of Executive Management with those of the Company and helps to achieve the Company's targets with regard to value creation. The Board of Directors expresses the belief that the maximum impact on the Company of the allocation of the performance-linked variable remuneration, that is up to 705 000 euros, shall be amply compensated by the value the proposed system could generate for the Company.

The Board of Directors authorizes the Nomination and Remuneration Committee to develop these arrangements in detail with Executive Management.

7.2. On 14 December 2011, after the directors concerned had left the meeting, pursuant to Article 523 of the Companies Code, deliberations were held on:

- the acquisition of Brightfish NV

Excerpt from the minutes

Notification in accordance with Article 523 of the Companies Code

Mr Joost Bert notifies the other directors that he has a conflict of interest of a proprietary nature within the meaning of Article 523 of the Companies Code, given that the Board of Directors is take a decision on the acquisition of Brightfish NV, the shares of which are held by himself and Wikingerhof BVBA, a company of which he is a shareholder.

Mr Joost Bert leaves the meeting and does not participate in the deliberations and vote on this agenda item.

Deliberation

After thorough due diligence was performed on the company in question and a sound business plan (see enclosure) was submitted by the management of Brightfish NV, drawn up with the assistance of the current management of Brightfish NV, and bearing in mind the advanced digitization of the Belgian cinema industry, the Board of Directors deems it to be the right time to complete the acquisition of this company, hat was already announced before, in order to ensure continuity on the Belgian screen advertising market and to effect sustainable growth in this sector for Kinepolis.

The evaluation of Brightfish NV by an independent consultancy office shows that the market value of the shares of this company is valued at a symbolic amount of one euro, based on accounting data as at 30 September 2011 and the business plan drawn up by the management of Brightfish. Nevertheless, the Board of Directors and the management of Kinepolis state that they believe in the potential of the company and its added value for Kinepolis Group and accordingly deems the acquisition to be desirable.

The acquisition of this company generates additional annual turnover of 12.8 million euros (2010 turnover), additional EBITDA of 200,000 euros on an annual basis and entails a limited rise in the net financial debt, the largest part of which is a claim from Kinepolis Group NV.

Decision

Bearing in mind the above-mentioned objectives, the Board of Directors authorizes Mr Eddy Duquenne, CEO, to negotiate and complete the acquisition by Kinepolis Group NV of all shares of Brightfish NV for the symbolic amount of one euro.

- The granting of a golden handshake to Pentascoop NV

  <u>Notification in accordance with Article 523 of the Companies Code</u>

  Mr Joost Bert notifies the other directors that he has a conflict of interest of a proprietary nature within the meaning of Article 523 of the Companies Code, given that the Board of Directors is to take a decision on the granting of a golden handshake to a company, member of the Board of Directors, of which one of his family members is a permanent representative and he is a shareholder.

  Mr Joost Bert leaves the meeting and does not participate in the deliberations and vote on this agenda item.

  <u>Deliberation</u>

  The Board of Directors takes note of the announced ending on 31 December 2011 of the directorship of Pentascoop NV, whose permanent representative is Mrs Bert-Vereecke.

  The President proposes granting Pentascoop NV a 200 000 Euro golden handshake, payable in 2012, given the important contribution made by Mrs Bert-Vereeke (through Pentascoop NV) to the development, growth and professionalization of Kinepolis Group.

  <u>Decision</u>

  After consultation, the Board of Directors takes the unanimous decision to grant Pentascoop NV the above-mentioned payment of 200 000 euros in recognition of the contribution made by its permanent representative to the development of Kinepolis Group.

8. Research and development (Art. 96 4° Companies Code)

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

9. Application of accounting policies (Art. 96 6° Companies Code)

The accounting policies remained unchanged and were applied with a view to the continuity of the Company.

10. Profit appropriation

When formulating a proposal to the General Meeting on profit appropriation and distribution, the Board of Directors takes into account various factors, including the Company's financial position, operating profits, current and future resources, and expansion plans.

The financial statements were drawn up after profit appropriation, in accordance with the Royal Decree of 30 January 2001.

The following profit appropriation is proposed:

Profit from financial year available for appropriation:	€ 8 552 045.90
Profit from previous financial year to be carried forward:	€ 36 889 446.19
Transfer to capital and reserves:	
To other reserves	€ 21 645 079.41
Profit to be carried forward:	€ 13 220 316.63
Dividend	€ 10 576 096.05

If the General Meeting approves this proposal, a gross amount will be payable as from 25 May 2012 upon presentation of coupon no. 13.

The gross amount per share will be calculated on the basis of the number of shares entitled to dividend on the date of the General Meeting, bearing in mind that the own shares purchased by Kinepolis Group NV are not entitled to dividend.

Mr. Eddy Duquenne, CEO, and Mr. Joost Bert, CEO, declare that to the best of their knowledge:

- the financial statements, which have been drawn up in accordance with applicable standards for financial statements, give a true and fair view of the Company's financial position and profit and loss;
- the annual report gives a true and fair view of the Company's development and profit and loss, as well as of the main risks and uncertainties it has to deal with.

The Board of Directors, Brussels, 29 March 2012

Mr P. Ghekiere

Mr J. Bert

Mr E. Duquenne