KINEPOLIS GROUP NV, public limited company, making or having made a public appeal to savings
Eeuwfeestlaan 20, 1020 Brussels

Enterprise Number VAT BE 0415.928.179 RPR Brussels

Free translation

Report of the Board of Directors on the Unconsolidated Financial Statements for fiscal year 2012 to the General Meeting of 17 May 2013

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 the activities and profit and loss of our company during the fiscal year from 1 January 2012 to 31 December 2012.

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

Kinepolis Group NV shareholders' equity at 31 December 2012 was € 64 666 209.84 compared with € 50 560 276.81 at the end of 2011. This change is primarily explained by a rise in retained earnings due to a higher operating income and the flow of dividends from subsidiaries.

The balance sheet total of Kinepolis Group NV is € 257 477 894.13 compared with € 170 568 332.73 in 2011. This movement 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 fixed assets

Investments in software worth € 407 374.50 were made under the ICT master plan. They are largely offset by the amortizations during the year.

1.1.3. Tangible fixed assets

Tangible fixed assets are in line with 2011 at € 10 188 920.86. The decrease is explained by the annual depreciations.

1.1.4. Financial fixed assets

As part of the simplification of the group structure, Kinepolis Group NV has taken over a number of participation in group companies from subsidiaries.

1.1.5. Amounts receivable after more than one year

There are no such receivables.

1.1.6. *Amounts receivable within one year*

Current receivables rose due to a change in Kinepolis Group NV's remuneration policy with regard to its subsidiaries.

1.1.7 Current investments

Investments decreased due to the cancelation of 724,847 treasury shares.

1.2. Unconsolidated balance sheet: comments on the main liabilities

1.2.1. Capital, share premium and accumulated profits

Profit for the fiscal year was € 75 680 052.18. The rise in the profit carried forward is due to a higher operating income and dividends received from subsidiaries.

1.2.2. Amounts payable after more than one year

Non-current loans and borrowings rose by € 80 109 702.10. This rise is explained by the financing for the acquisition of the participation mentioned in 1.1.4 and the issue of a bond for € 75 000 000.00, which was partially used to settle the credit agreement of 26 November 2004.

1.2.3. Amounts payable within one year

Current loans and borrowings decreased with € 10 282 658.13. The credit agreement of 26 November 2004 was settled in full but there was an additional withdrawal under the commercial paper program. Taxable profit was generated in 2012, with an amount of € 3 872 905.74 payable in tax.

1.2.4. Accrued charges and deferred income

Accrued charges and deferred income rose due to the provision of interest on the bond.

1.3. Comments on the unconsolidated income statement

Profit for the fiscal year amounts to € 75 680 052.18 versus a profit of € 8 552 045.90 in 2011, primarily due to the change in the remuneration model with regard to the subsidiaries and the dividends received.

The rise in operating income from € 6 342 432.87 to € 36 996 245.83 is primarily due to the aforementioned change to the remuneration model with regard to the subsidiaries.

The rise in the net financial profits is primarily due to the payment of dividends from the subsidiaries.

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

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

3. Information about the circumstances that could have a significant impact on the development of the company – Principle 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 development and position of the Company, so no further description of essential financial and other performance indicators is needed alongside the data provided in the consolidated annual report of Kinepolis Group.

Primary 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 2011, in 2012 this occurred on the basis of a written survey of the participants to generate 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 conditions and restrictions with regard to the growth of Kinepolis Group (see also ‘Political, regulatory and competition risks' below). Certain inherent risks are also associated with any acquisition that can have a negative impact on the goals set. With this in mind, Kinepolis Group will thoroughly examine acquisition opportunities in advance, to ensure these risks are properly assessed and, where necessary, controlled.

Political, regulatory and competition risks

Kinepolis Group strives to operate within the legal framework at all times. However, additional or amended legislation, including tax laws, could restrict Kinepolis' growth and operations or result in additional investments or costs. Where possible, Kinepolis Group actively manages these risks by notifying the relevant political, administrative or legal bodies of its positions and defending them in an appropriate way. Belgium's Competition Council has imposed a number of conditions and restrictions, such as the need for its prior approval of plans to build new cinema multiplexes or acquire existing cinema multiplexes in Belgium.

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. Pursuant to the authorization issued by the Extraordinary General Meeting of 20 May 2011, the Board of Directors granted the following discretionary mandats:

- To KBC Bank NV: under the mandate valid between 1 December 2011 and 29 February 2012, 96 697 treasury shares were bought back in 2012 for a total amount of € 5 526 002.79;
- To Petercam NV: under two mandates valid between 1 March 2012 and 31 May 2012 and between 1 June 2012 and 31 August 2012, 300 000 shares were bought back for a total amount of € 20 591 494.91 and 316 725 shares were bought back for a total amount of € 21 758 742.52.

4.2. After the cancelation by the Board of Directors on 7 September 2012 of 724 847 treasury shares, the total number of outstanding shares held by the Company on 31 December 2012 was 311 885, representing 5.33 % of the new number of shares in circulation, with a total capital value of € 1 009 293.

4.3. After the full use of the mandate given by the Extraordinary General Meeting of 20 May 2011, the Extraordinary General Meeting of 19 October 2012 expressly authorized the Board of Directors to acquire, by purchase or exchange, in accordance with the provisions of the Companies Code, up to 1 171 301 of the company's shares or profit-sharing certificates or certificates relating thereto, with a view to cancelation (which however does not have to occur immediately, but 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 19 October 2012. This authorization can be renewed.

The Board of Directors is also expressly authorized by the Extraordinary General Meeting of 19 October 2012 to cancel 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 decides that the Board of Directors may use this authorization at any time, more than once if desired. The Extraordinary General Meeting hereby also authorizes the Board of Directors to adapt the numbers of shares stated in the articles of association in accordance with this cancelation and to have the necessary amendment to the articles of association notarized on behalf of the company.

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. The nominal amount of these interest hedges was € 35 000 000 at 31 December 2012.

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 can be found on the Investor Relations website of Kinepolis.

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

6.1 Issued capital

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

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

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

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

According to the provisions of the articles of association, 8 directors can be appointed from among the candidates nominated by Kinohold Bis SA, limited company under the laws of Luxembourg, insofar as it or its legal successors, as well as all entities directly or indirectly controlled by (one of) them or (one of) their respective legal successors (within the meaning of article 11 of the Companies Code) solely or jointly hold at least 35% of the shares of the Company, both when the candidate is nominated and when the candidate is appointed by the General Meeting, on the understanding that, if the shares held by Kinohold Bis SA or its respective legal successors, as well as all entities directly or indirectly controlled by (one of) them or (one of) their respective legal successors (within the meaning of article 11 of the

Companies Code) represent less than thirty-five per cent (35%) of the capital of the Company, Kinohold Bis SA or its respective legal successors shall only be entitled to nominate candidates to the Board of Directors for each group of shares representing five per cent (5%) of the capital of the Company.

6.3 Shareholder agreements

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

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 NV 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 NV received an update of the notifications that the Company received on 26 August 2009 from the following persons, acting by mutual agreement (either because they are 'affiliated persons' within the meaning of article 11 of the Companies Code or they are otherwise acting by mutual agreement) and collectively holding more than 30% of the voting shares of 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.

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

- Kinohold Bis SA held 2 540 010 shares or 43.37% of the shares of the Company;
  Kinohold Bis SA is controlled by Stichting Administratiekantoor Kinohold under Dutch law, which in turn is jointly controlled by the following natural persons (in their capacity as directors of Stichting Administratiekantoor Kinohold): Marie- Suzanne Bert-Vereecke, Joost Bert, Koenraad Bert, Geert Bert and Peter Bert; Kinohold Bis SA otherwise acts in close consultation with Joost Bert;
- Kinepolis Group NV, which is controlled by Kinohold Bis SA, held 311 5 shares or 5.33% treasury shares;
- Mr Joost Bert, who acts in close consultation with Kinohold Bis SA, held 41 600 shares or 0.71% of the shares of the Company.

Shareholders'structure at 31 December 2012

Shareholder	Number of shares	%
Kinohold BIS and Mr Joost Bert	2 581 610	44.08
Kinepolis Group NV	311 885	5.33
Free Float of which:	2 963 013	50.59
Axa SA(1)	305 479	5.22
Ameriprise Financial Inc (Threadneedle)	266 256	4.55
BNP Paribas investment Partners	194 659	3,32
TOTAL	**5 856 508**	**100**

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

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

6.7.1 Composition of the Board of Directors

The Board of Directors consists of seven members, four of whom are independent of the majority shareholders and management. These four directors 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. Within this framework, the market is regularly screened to identify potentially suitable profiles. Contrary to Stipulation 2.9 of the Belgian Corporate Governance Code 2009, the Board of Directors has not appointed a secretary, as it believes these duties can be fulfilled by the Chairman assisted by the corporate lawyer, bearing in mind the limited size of the Company.

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

6.7.2 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 of the client and personnel satisfaction index;
- Progress reports of the net promoter score of experience and film offer;
- Progress reports on ongoing cinema and real estate projects;

Up-to-date treasury situation and cash flow planning. Appropriate attention was also given inter alia to the following items:

- Discussion and establishment of the profit plan for the following fiscal year;
- Discussion and decision on new cinema and property opportunities;

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

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

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

Directors as per 31 December 2012

Name	Position	Term ends	Other positions at listed companies	Attendance record (14)
Mr Philip Ghekiere (1)(2)	Chairman	2016	/	13 meetings
Mr Eddy Duquenne	CEO	2016	/	All meetings
Mr Joost Bert (2)	CEO	2016	/	All meetings
Mr Geert Vanderstappen, permanent representative of Management Center Molenberg bvba (1)	Independent Director	2014	Spector Photo Group nv: Director	11 meetings
Mr Marc Van Heddeghem(1)	Independent Director	2014	Leaseinvest Real Estate Bevak: Director/ Befimmo nv: Director	9 meetings
Mrs Marion Debruyne, permanent representative of Marion Debruyne bvba (1)	Independent Director	2015	/	12 meetings
Mr Rafaël Decaluwé, permanent representative of Gobes Comm. V.(1)	Independent Director	2015	Jensen Group NV: President	9 meetings

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

6.7.3 *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 2012 this committee comprised the following non-executive directors, the majority of whom were independent directors with the necessary expertise and professional experience in human resources, bearing in mind their previous and/or current business activities:

- Mr. Philip Ghekiere (Chairman 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 by invitation.

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

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

6.7.4 *Composition and activities report of the Audit Committee*

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

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

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

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

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

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

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

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

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

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

6.8 Executive Management

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

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

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

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

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

6.10 Remuneration Report

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

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

Principles

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

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

The following principles are also employed:

- For the fulfilment of their duties as a member of the Board of Directors, the non-executive directors receive a fixed amount taking account of an attendance of a minimum number of meetings of the Board of Directors;
- The members of the committees are allocated a fixed amount every time they attend a meeting for the committee, with additional fixed remuneration for the chairman of the Audit Committee;
- The Chairman of the Board of Directors and the Chief Executive Officers are allocated a fixed annual amount for attending the meetings of the Board of Directors. The fixed amount allocated to the Chairman comprises the remuneration for participation in and chairmanship of the Board of Directors and the Nomination and Remuneration Committee. From fiscal year 2013, analogous to the situation of the chairman of the audit committee, the remuneration of the Chairman of the Nomination and Remuneration Committee comprises remuneration for each meeting attended plus fixed remuneration as chairman of this committee;

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

<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 Nomination and Remuneration Committee), which will be based on the amounts set in the past, with due regard for a minimum number of actual meetings of the Board of Directors and its committees. The granting of the overall portfolio to the individual members is a decision of the Board of Directors on the recommendation of the Nomination and Remuneration Committee, based on their actual attendance at the various meetings of the Board of Directors and its committees.

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

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

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

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

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

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

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

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

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

Board of Directors 31 December 2012

Name	Title	Remuneration 2012 (in €)
Philip Ghekiere	Chairman	85 000
Eddy Duquenne	CEO	30 000
Joost Bert	CEO	30 000
Geert Vanderstappen (Management Center Molenberg bvba)	Independent Director	48 250
Marc Van Heddeghem	Independent Director	41 500
Mevr. Marion Debruyne (Marion Debruyne bvba)	Independent Director	32 500
Rafaël Decaluwé (Gobes Comm. V.)	Independent Director	44 500
Total		**311 750**

6.10.3 Application of the remuneration policy on the members of Executive Management

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

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

- The following amounts will be applied for Mr. Joost Bert:
  - fixed remuneration: € 285 000
  - maximum variable remuneration: € 215 000
  - maximum out-performance bonus: € 75 000

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

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

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

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

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

6.10.4 Long-term incentives

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

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

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

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

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

(1) In his former capacity of Executive Director

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

Name	Remuneration	Amount paid (in €) (Excl. VAT)
Eddy Duquenne bvba	Fixed remuneration (1)	330 000
	Variable remuneration (2)	265 000
	Outperformance bonus (2)	150 000
	Car allowance (4)	37 095
	Total	782 095

Name	Remuneration	Cash amount paid (in €) (Excl. VAT)
Joost Bert	Fixed remuneration (1)	285 000
	Variable remuneration (2)	215 000
	Outperformance bonus (2)	75 000
	Pensioenregeling (3)	10 102
	Car allowance (4)	33 293
	Total	618 385

(1) Other than remuneration received as a member of the Board of Directors (which amounts to € 30 000 for each director)
(2) Received in 2012 for performances in 2011
(3) Mr. Joost Bert participates in a supplementary pension scheme providing for an annual indexed fixed contribution
(4) Indexed annually and excl. granted fuel card

6.10.5 Fiscal years 2013-2014

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

- € 87 250 for the chairmanship of the Board of Directors;
- € 3 750 for the chairmanship of the Nomination and Remuneration Committee;

- € 3 000 for attendance of each meeting of the Nomination and Remuneration Committee.

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

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

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

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

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

6.11.1 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.

6.11.2 Application of the various components

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

6.11.3 Internal Control Environment

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

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

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

6.11.4 Objective setting

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

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

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

6.11.5 Internal Control

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

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

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

6.11.6 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.

6.11.7 Monitoring

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

- Business Controlling.
  The Management, supported by the Business Controlling department, analyzes the progress made towards the targets and explains the discrepancies on a monthly basis. This analysis may identify potential improvements that could be made to the existing risk management activities and measures.

- Internal Audit.
  The existing risk management activities and measures are evaluated and compared with internal rules and best practices on a regular basis by the Internal Audit department. Potential improvements are discussed with Management and lead to the implementation of action points that further enhance risk management.

6.12 <u>Compliance with the Corporate Governance Code</u>

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

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

- Contrary to Stipulation 5.5 of the Code, the Board of Directors believes that, bearing in mind its own limited composition, an Audit Committee comprising two independent members – both with the requisite auditing and accounting expertise provides sufficient guarantees with regard to the efficient functioning of the committee;

- Contrary to Stipulation 7.13., the Board of Directors approved the Share Option Plan 2007-2016 for the executive directors and members of the senior management on 5 November 2007. This plan serves, among other things, to more closely align the interests of the aforementioned persons with the interests of the Company by letting them share in the future value creation and to enable the Company to offer a more competitive remuneration package and as such to be able to hire, compensate and maintain the right persons in these positions. Bearing in mind that the above objectives are in the best interest of the Company, the Board of Directors does not deem it necessary to submit this point to the General Meeting.
- Contrary to Stipulation 4.6. of the Code, the professional qualifications and duties of the directors to be re-appointed were not stipulated in the convening notices to the General Shareholders' Meeting of 18 May 2012, given that these qualifications are already published in several press releases and annual reports.

7. <u>Conflict of interests covered by Article 523 of the Companies Code (Art. 523 Companies Code)</u>

7.1. On 14 February 2012, 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 the Executive Management of the variable part of their remuneration over the preceding fiscal year:

Excerpt from the minutes

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

Misters Joost Bert and Eddy Duquenne informed the other directors that they had a conflict of interest of a proprietary nature within the meaning of Article 523 of the Companies Code, given that the Board of Directors was to take a decision on the attainment of the management targets by the Executive Management.

MistersJoost Bert and Eddy Duquenne duly left the meeting and did not participate in the deliberations or vote on this agenda item.

<u>Deliberations and decision</u>

After a clarification by the president of the Nomination and Remuneration Committee with regard to fulfilling the criteria established for the granting of the variable remuneration and outperformance bonus, the Board of Directors established that the 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 2011, had been amply exceeded and that sufficient concrete progress had been achieved with regard to the three quality goals and accordingly decided to grant in full the variable remuneration of EUR 265 000 to BVBA Eddy Duquenne and EUR 215 000 to Mr. Joost Bert and the outperformance bonus of EUR 75 000 to Mr. Joost Bert and EUR 150 000 to BVBA Eddy Duquenne. The payment of these amounts to Executive Management will be done in April 2012.

- Establishment of management targets and remuneration for Executive Management for 2013

Excerpt from the minutes

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

Misters Joost Bert and Eddy Duquenne informed the other directors that they had a conflict of interest of a proprietary nature within the meaning of Article 523 of the Companies Code, given that the Board of Directors was to take a decision on the setting of the management targets by the Executive Management.

Misters. Joost Bert and Eddy Duquenne duly left the meeting and did not participate in the deliberations or vote on this agenda item.

<u>Deliberations and decision</u>

After exhaustive clarification by the Nomination and Remuneration Committee of the proposed management targets as stated in agenda item 5.b. and an exhaustive discussion by the Board of Directors, the Board of Directors decided to unanimously approve the qualitative and quantitative management targets as clarified by the Nomination and Remuneration Committee and stated in agenda item 5.b., being of the opinion that the management targets align the interests of Executive Management to the interests of the Company and help achieve the goals of the Company with regard to value creation. The Board of Directors expressed the belief that the maximum impact on the Company of the allocation of the performance-linked variable remuneration to the Executive Management, that is the allocation of a one-off amount of up to EUR 705 000 (as set in 2011 for the fiscal years 2011-2012), would be amply offset by the value the proposed system could create for the Company.

8. <u>Research and development (Art. 96 4° Companies Code)</u>

The Company developed, within the framework of the three strategic pillars, a select 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. <u>Application of accounting policies (Art. 96 6° Companies Code)</u>

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

10. <u>Profit appropriation</u>

The Board of Directors takes account of various factors with regard to the proposal of the General Meeting with regard to profit appropriation and distribution, including the Company's financial position, operating income, 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 was proposed:

Profit for the fiscal year to be appropriated:	€ 75 680 052.18
Profit carrying forward from previous fiscal year:	€ 13 220 316.63

Addition to shareholders' equity:	
To other reserves	€ 47 876 241.10
Profit to be carried forward:	€ 27 938 817.43
Dividend	€ 13 085 310.28

If the General Meeting approves this proposal, as from 27 May 2013 a gross amount of EUR 2.36 per share shall be payable upon presentation of coupon n°14.

The gross amount per share is subject to change as it is calculated on the basis of the number of shares entitled to dividend on the date of the General Meeting, bearing in mind that the shares purchased by Kinepolis Group NV are not eligible to dividend.

Misters Eddy Duquenne, CEO, and Joost Bert, CEO, declare to the best of their knowledge:

- The financial statements, which have been prepared 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 the main risks and uncertainties it has to deal with.

The Board of Directors, Brussels, 28 March 2013

Mr Philippe Ghekiere

Mr Joost Bert

Mr Eddy Duquenne

BVBA Management Center Molenberg, whose permanent representative is Mr Geert Vanderstappen

Marc Van Heddeghem

Marion Debruyne BVBA, whose permanent representative is Ms. Marion Debruyne

Gobes Comm. V., whose permanent representative is Mr. Raf Decaluwé.