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 RLP Brussels

Report of the Board of Directors to the General Meeting of 16 May 2014 on the Statutory Financial Statements for fiscal year 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 on the activities and profit and loss of our company during the fiscal year from 1 January 2013 to 31 December 2013.

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

Kinepolis Group NV shareholders' equity on 31 December 2013 was € 64 420 381.11 compared to € 64 666 209.84 at the end of 2012. Despite the good results, the shareholders' equity has not significantly changed following the proposed dividend payment and share buy-back with cancelation.

The balance sheet total of Kinepolis Group NV is € 278 471 696.95 compared to € 257 477 894.13 in 2012. The underlying reason for this change 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

Intangible assets increased by € 797 586.14, due on the one hand to the merger by acquisition of Decatron NV, which was on the other hand partly offset by the amortizations in the current fiscal year.

1.1.3. Property, plant and equipment

Property, plant and equipment decreased in total by € 1 186 538.85. On the one hand, assets were added as a consequence of the merger by acquisition of Decatron NV and on the other hand we observe a reduction due to the depreciations of the fiscal year specifically on leasing.

1.1.4. Financial fixed assets

Financial fixed assets increased by € 6 599 247. One the one hand, a capital increase on Kinepolis Immo Multi NV of € 12 800 000.00 was underwritten, while on the other hand the financial fixed assets decreased by € 6 200 753.00 due to the merger by acquisition of Decatron NV.

1.1.5. Inventories and orders in progress

Due to the abovementioned merger, an inventory totalling € 1 207 007.73 was acquired.

1.1.6. Current receivables

Current receivables rose due to the later invoicing of intercompany payments.

1.1.7 Investments

Investments remained in line with the previous year, notwithstanding a share buy-back followed by a cancelation of treasury shares.

1.1.8 Accrued income and deferred charges

Accrued income and deferred charges increased due to an acquired training subsidy.

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

1.2.1. Capital, share premium and profit carried forward

Profit for the fiscal year was € 45 139 274.62, which is slightly lower than the previous year. Operating profit increased but the received dividends from subsidiaries were lower than the previous year.

1.2.2. Non-current loans and borrowings

The increase in non-current loans and borrowings is explained by the capital increase in Kinepolis Immo Multi NV; the current loans and borrowings have been partly converted into non-current loans and borrowings.

1.2.3. Current loans and borrowings

The decrease in the current loans and borrowings is largely explained by the conversion of € 18 389 301.71 into non-current loans and borrowings. Tax and social security costs increased by € 1 571 197.67. The other loans and borrowings increased primarily due to the proposed payment of a higher dividend.

1.2.4. Accrued charges and deferred income

Accrued charges and deferred income decreased, primarily due to a lower balance sheet position of the vouchers at the end of 2013.

1.3. Comments on the unconsolidated income statement

Operating profit increased by € 3 167 229.28, in particular due to the increased operating efficiency and the lower overhead costs. Financial income decreased due to a lower payment of dividends from the subsidiaries. The increase in financial costs is due to the higher debt position.

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 2013.

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 in addition to 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 2012, this occurred in 2013 on the basis of a written survey of the participants to gain both quantitative and qualitative results, enabling risks to be assessed in order of scale. Although this way of working enables Kinepolis to distinguish important risks from less important risks in a well-founded way, it remains an estimation that, inherent to the definition of risk, provides no guarantee whatsoever of the actual occurrence of risk events. The following list therefore contains only some of the risks to which Kinepolis is exposed.

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). Any acquisition implies certain inherent risks that can have a negative impact on the predefined goals. 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/or 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 when these do not involve the rundown of existing cinema multiplexes.

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 19 October 2012, the Board of Directors granted Petercam NV a discretionary power to buy back 300 000 shares between 27 May 2013 and 21 February 2014. Under this authorization, 276 492 shares were bought back in 2013 for a total amount of € 28 829 776.65.

4.2. After the cancelation by the Board of Directors on 18 December 2013 of 273 854 treasury shares under the authorization issued by the aforementioned Extraordinary General Meeting and after the delivery of 14 000 shares to option holders following their execution of options rights, the total number of outstanding shares held by the Company on 31 December 2013 was 300 523, representing 5.38 % of the new number of shares in circulation, with a total capital value of € 1 020 231.

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 € 5 000 000 on 31 December 2013.

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 7 May 2013 a revised version of the Corporate Governance Charter of Kinepolis Group NV of 18 December 2007 (amended on 17 December 2009). The Charter can be consulted at 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 2013, together with an explanation of the deviations from the Code in accordance with the 'comply or explain' principle.

6.1 Share capital

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

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

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

6.3 <u>Shareholder agreements</u>

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 <u>Change of control</u>

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. This Prospectus can be consulted at the Kinepolis Investor Relations website.

6.5 <u>Shareholders' structure and Received notifications</u>

Based on the notifications received within the framework of Article 74 of the Public Acquisition Bids Act of 1 April 2007, from Kinepolis Group NV, Kinohold Bis SA, Stichting Administratiekantoor Kinohold, Marie-Suzanne Bert-Vereecke, Joost Bert, Koenraad Bert, Geert Bert and Peter Bert, acting by mutual agreement (either because they are 'affiliated persons' within the meaning of Article 11 of the Companies Code or they are otherwise acting by mutual agreement) and collectively holding more than 30% of the voting shares of Kinepolis Group NV, on subsequent transparency statements (within the meaning of the Act of 2 May 2007 and the Royal Decree of 14 February 2008 regarding the disclosure of major holdings) and statements within the meaning of the share buyback program, as of 31 December 2013:

- Kinohold Bis SA held 2 540 010 shares or 45.50% of the shares of the Company; Kinohold Bis SA is controlled by Stichting Administratiekantoor Kinohold under Dutch law, which in turn is jointly controlled by the following natural persons (in their capacity as directors of Stichting Administratiekantoor Kinohold): Marie-Suzanne Bert-Vereecke, Joost Bert, Koenraad Bert, Geert Bert and Peter Bert; Kinohold Bis SA otherwise acts in close consultation with Joost Bert;
- Kinepolis Group nv, controlled by Kinohold Bis sa, held 300 523 shares or 5,38% of the shares of the Company;
- Mr. Joost Bert, who acts in close consultation with Kinohold Bis SA, held 41 600 shares or 0.75% of the shares of the Company.

SHAREHOLDERS' STRUCTURE at 31 December 2013

SHAREHOLDER	NUMBER OF SHARES	%
Kinohold BIS	2 540 010	45,50
Dhr. Joost Bert	41 600	0,75
Kinepolis Group NV	300 523	5,38
Free Float, of which:	2 700 521	48,37
Axa SA	304 711	5,45
BNP Paribas Investment Partners (1)	194 659	3,49
Schroders Plc (2)	169 496	3,04
TOTAL	5 582 654	100

(1) This shareholding was 5.04% on the date of the annual report, as resulting from a transparency notification of 7 January 2014.
(2) This participation was less than 3% on the date of the annual report, as resulting from a transparency declaration of 18 February 2014.

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

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

The Board regularly reviews the criteria for its composition and of its committees, in light of ongoing and future developments and expectations, as well as its strategic objectives. In the coming years the Board will give attention to the appropriate complementarity and diversity among its members, including gender and age diversity, and ensure a balance between rejuvenation and continuity in order that the acquired knowledge and history can be passed on efficiently. The Board of Directors will also work to bring its composition into line with the requirements in Article 518 bis of the Companies Code within the terms laid down there. Within this framework, the market is regularly screened to identify potentially suitable profiles.

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

The table on this page shows the composition of the Board of Directors as well as the attendance record of the various directors with respect to the nine meetings that took place in 2013.

<u>DIRECTORS AS PER 31 DECEMBER 2013</u>

NAME	POSITION	TERM ENDS	OTHER POSITIONS AT LISTED COMPANIES	ATTENDANCE RECORD (9 MEETINGS)
Mr. Philip Ghekiere (1)(2)	Chairman	2016	/	All meetings
Mr. Eddy Duquenne	CEO	2016	/	All meetings
Mr. Joost Bert (2)	CEO	2016	/	All meetings
Mr. Geert Vanderstappen, permanent representative of Management Center Molenberg bvba (1)	Independent Director	2014	Spector Photo Group NV: Director	All meetings
Mr. Marc Van Heddeghem (1)(3)	Independent Director	2013	Befimmo NV: Director	3 meetings
Mr. Marc Van Heddeghem, permanent representative of MarcVH Consult bvba (1)	Independent Director	2015	Befimmo NV: Director	5 meetings
Mrs. Marion Debruyne, permanent representative of Marion Debruyne bvba (1)	Independent Director	2015	Recticel NV: Director	All meetings
Mr. Rafaël Decaluwé, permanent representative van Gobes Comm. V. (1)	Independent Director	2015	Jensen Group NV: President	8 meetings

(1) Non-executive director
(2) Represent the majority shareholders
(3) Directorship ended on 17 May 2013

Activity Report of the Board of Directors

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

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

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

- Discussion and establishment of the profit plan for the following fiscal year;
- Determination of the short-term and long-term strategy;
- The start of the share buyback programs within the framework of the optimization of the capital structure and the cancelation of treasury shares;
- Reports of the Nomination and Remuneration Committee and the Audit Committee;
- Evaluation and establishment of the quantitative and qualitative management targets for Executive Management;
- Assessment of the functioning of the Board of Directors and its committees;
- Restructuring of the ICT architecture;
- The primary risks the Company can be exposed to and the measures to control them.

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

At least seven meetings are scheduled in 2014. Additional meetings may be held if needed.

Composition and activity report of the Nomination and Remuneration Committee

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

- Mr. Philip Ghekiere (Chairman Kinepolis Group NV and Investment Director at NPM Capital);
- MarcVH Consult bvba, whose permanent representative is Mr. Marc Van Heddeghem (former Managing Director of Redevco Belgium);
- Gobes Comm. V., whose permanent representative is Mr. Rafaël Decaluwé (former CEO of Bekaert NV).

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

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

- Evaluation of the 2012 management targets for Executive Management and establishment of the variable remuneration for the fiscal year 2012;
- Adjustment of the remuneration package for Executive Management;
- Qualitative and quantitative management targets with regard to the fiscal year 2013 for Executive Management and the corresponding variable remuneration and outperformance bonus;
- Adjustment of the remuneration for the Chairman of the Board of Directors;
- Composition of the Board of Directors;
- Evaluation of the functioning of the Board of Directors and its committees;
- Preparation of the Remuneration Report.

Composition and activities report of the Audit Committee

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

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

- Gobes Comm. V, whose permanent representative is Mr. Rafaël Decaluwé, who is a former CEO of Bekaert NV and had a long career in financial management positions at a number of multinationals, including Samsonite, Fisher-Price and Black & Decker.

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

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

In 2013 the Audit Committee met four times, in the presence of all members, and primarily the following items were handled:

- Discussion on financial reporting in general and the unconsolidated and consolidated annual and interim financial statements in particular;

- Discussion, establishment and monitoring of the internal audit activities, including the discussion of the annual report of the Internal Audit department;

- Discussion and evaluation of the internal control and risk management systems as well as the 2013 risk management action plan;

- Discussion of the risk survey 2013;
- Evaluation of the effectiveness of the external audit process;
- Evaluation of the functioning of the internal and external auditor and establishment of the method and frequency of this evaluation;
- Monitoring of the financial reporting and its compliance with the applicable reporting standards;
- Proposal to reappoint the statutory auditor.

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

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

The evaluation process is initiated by the Chairman of the Board of Directors on the basis of a written procedure, the results of which are analyzed and discussed at the NRC as well as at the Board of Directors, where the appropriate conclusions are drawn.

After the extensive evaluation carried out in 2011 and bearing in mind that the Board of Directors has remained virtually unchanged in the meantime, in 2013 the Nomination and Remuneration Committee restricted itself to a concise evaluation of the functioning and composition of the Board and its committees. Another thorough evaluation will be conducted in 2014.

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 occur strictly in accordance with the Act of 2 August 2002 on the Supervision of the Financial Sector, and in accordance with the guidelines issued by the Board of Directors. The Chief Financial Officer is responsible, as Compliance Officer, for monitoring compliance with the rules on insider trading as set out in this Protocol.

The Code of Conduct approved by the Board of Directors in 2012 containing the appropriate guidelines, values and standards with regard to the ethical and fitting way 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 provides transparent information on remuneration of members of the Board of Directors and Executive Management to its shareholders and other stakeholders.

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

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

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

The following principles are also employed:

- For the fulfilment of their duties as a member of the Board of Directors, the non-executive directors receive a fixed amount taking account of a attendance of a minimum number of meetings of the Board of Directors they attend;
- The members of the committees are allocated a fixed amount every time they attend a meeting for the committee, with additional fixed remuneration for the president of the Audit Committee and of the Nomination and Remuneration Committee;
- The Chairman of the Board of Directors and the Chief Executive Officers are allocated a fixed annual amount for participating in the meetings of the Board of Directors;
- The non-executive directors do not receive any bonuses, participation in long-term share-based incentive programs, benefits in kind (with the exception of the right to attend a number of film screenings each year) or benefits related to pension plans;
- Alongside fixed remuneration, Executive Management receives variable remuneration dependent on the attainment of the management targets set by the Board of Directors on the recommendation of the NRC. These targets include both quantitative targets set annually, the criterion for which is the attainment of a certain level of consolidated current net profit, and qualitative targets, which are defined as targets that are to be attained over several years, progress of which is evaluated on an annual basis. The variable part of the remuneration ensures that the interests of Executive Management run parallel to the Group's, lead to value creation and loyalty, and provide the appropriate incentive to optimize the short-term and long-term objectives of the Group and its shareholders;
- As well as this variable remuneration, an outperformance bonus may be allocated to Executive Management if the quantitative targets are substantially exceeded.

Long-term incentives in the form of share options or other financial instruments of the Company or its subsidiaries may also be allocated to Executive Management. The remuneration package for Executive Management may additionally include participation in the corporate pension plan and/or the use of a company car;

- The Company's formal right to claim back variable remuneration and outperformance bonus granted on the basis of incorrect financial data was not explicitely provided for in such cases.
- 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 compensation may not exceed twelve (12) months' basic remuneration and the variable remuneration cannot be taken into account if the departing person has not met the performance criteria referred to in his or her contract.

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

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

- € 87 250 as fixed remuneration for the chairmanship of the Board of Directors;
- € 30 000 as fixed remuneration for attendance by the Chief Executive Officers of the meetings of the Board of Directors;
- € 32 500 for the actual attendance of the other directors of six or more meetings of the Board of Directors; the remuneration will be reduced proportionately if fewer meetings are attended;
- € 3 000 for attendance of a meeting of the Audit Committee or the Nomination and Remuneration Committee;
- € 3 750 as additional fixed remuneration for the chairman of the Audit Committee and of the Nomination and remuneration Committee.

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

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

On the proposal of the Board of Directors, which is of the opinion that the quantitative and qualitative management targets are set to also favour the long-term goals of the Company, on 17 May 2013 the General Meeting approved the proposal to base the integral annual variable remuneration of the CEOs for the fiscal years 2014 till 2016 on objective and measurable performance indicators agreed in advance and always measured over a period of one year, in accordance with Article 520 ter of the Companies Code.

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

In line with the remuneration policy and its underlying principles, the non-executive directors of the Company were remunerated for their services in the past fiscal year as shown in the following table. All amounts are gross amounts before deduction of tax.

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

All members of the Board of Directors as well as directors of the subsidiaries of the Company are also covered by a "civil liability of directors" policy, the total premium of which € 21 850 (including taxes) is paid by the Company.

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

Application of the remuneration policy on the members of Executive Management

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

- bvba Eddy Duquenne:
  - fixed remuneration: € 385 000
  - maximum variable remuneration: € 295 000
  - maximum outperformance bonus: € 165 000
  - monthly fixed expenses: € 750

- Mr. Joost Bert:
  - fixed remuneration: € 300 000
  - maximum variable remuneration: € 215 000
  - maximum outperformance bonus: € 75 000

The amount of the variable remuneration ultimately granted to Executive Management depends on the fulfilment in 2013 of the annual management targets, which apply collectively to Executive Management and comprise both quantitative targets, of which the criterion is the attainment of a certain level of consolidated current net profit, and qualitative targets. The targets were established to ensure that they help attain not only the short-term goals but also the long-term goals of the Group.

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

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

In the fiscal year 2013, given the fulfilment in 2012 of the quantitative and qualitative management targets accounting for 70% and 30% respectively of the variable remuneration, as set by the Board of Directors assisted by the NRC, the variable remuneration was paid out in full to the members of Executive Management in a total amount of € 480 000. An outperformance bonus of € 225 000 was also paid out, because the quantitative targets were substantially exceeded in 2012.

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

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

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

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

(1) In his former capacity of Executive Director

The table below provides an overview of the fixed part of the remuneration, the other components of the remuneration (such as pension contributions, insurances and car allowances) as well as the variable part, as paid out in 2013:

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

(1) Other than remuneration received as a member of the Board of Directors (which amounts to € 30 000 for each director)
(2) Received in 2013 for performances in 2012
(3) Mr. Joost Bert participates in a supplementary pension scheme providing for an annual indexed fixed contribution
(4) Indexed annually and excl. granted fuel card

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

A further description of the characteristics of these options is provided in point 20 of the Notes to the Consolidated Financial Statements.

Fiscal years 2014-2015
As of today, the implementation of fundamental policy adjustments is not provided for in the next two years.

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

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

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

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 encourages and endeavours to enforce such behaviour by means of preventive measures (e.g. work regulations, various policies and procedures) and detection measures (e.g. reporting procedure, compliance inspections).

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

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

An introductory risk management course is also given to new managers, on an annual basis.

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 endeavors to standardize the process as much as possible. This is achieved by organizing corporate ERM trainings, implementing the structured policy guidelines and procedures, and using standard lists of internal audits to be conducted.

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

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 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 Stipulations 5.5 of the Code, the Board of Directors believes that, bearing in mind its own limited composition, an Audit Committee comprising two independent members – both with the requisite auditing and accounting expertise – provides sufficient guarantees with regard to the efficient functioning of the committee;
- Contrary to Stipulation 7.13., the Board of Directors approved the Share Option Plan 2007-2016 for the executive directors and members of the senior management on 5 November 2007. This plan serves, among other things, to more closely align the interests of the abovementioned persons with the interests of the Company by allowing them to participate in future value creation and to enable the Company to offer a competitive remuneration package and as such to be able to hire, remunerate and retain the right persons in these positions. Bearing in mind that the above objectives are in the best interest of the Company, the Board of Directors does not deem it necessary to submit this point to the General Meeting.
- Contrary to Stipulation 4.6. of the Code, the professional qualifications and duties of the director to be re-appointed were not stipulated in the convening notices to the General Shareholders' Meeting of 17 May 2013, given that these qualifications are already published in several press releases and annual reports.

7. <u>Conflict of interest subject to Article 523 of the Companies Code</u>

On 19 February 2013, pursuant to Article 523 of the Companies Code and after the directors in question had left the meeting, deliberations were held and decisions taken on:

1. <u>The allocation to Executive Management of the variable remuneration and outperformance bonus over the preceding fiscal year:</u>

Excerpt from the minutes

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

Messrs Joost Bert and Eddy Duquenne informed the other directors that they had a possible 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.

Messrs 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 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 <u>quantitative</u> 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 2012, were amply exceeded and that sufficient concrete progress was achieved with regard to the three <u>quality</u> 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 150 000 to BVBA Eddy Duquenne and EUR 75 000 to Mr. Joost Bert. The payment of these amounts to the Executive Management will be made in April 2013 after approval of the draft financial accounts by the Board of Directors.

Messrs Joost Bert and Eddy Duquenne returned to the meeting after such decision.

2. Establishment of management targets and remuneration for Executive Management for 2013

Excerpt from the minutes

Notification in accordance with Article 523 of the Companies Code

Messrs Joost Bert and Eddy Duquenne informed the other directors that they had a possible 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 setting the management targets for the members of the Executive Management.

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

Deliberations and decision

After exhaustive clarification by the president of the NRC of the proposed management targets and an exhaustive discussion by the Board of Directors, the Board of Directors decided to unanimously approve the qualitative and quantitative management targets, the ratio of which remains 30%-70%, as clarified and proposed by the NRC, 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 then learns, following an extensive clarification by its President, about the proposal on the 2013-2014 remuneration policy for Executive Management, which is based on the Executive Directors' Remuneration Survey of PWC in which the remunerations of the Executive Management were compared with those of CEOs of comparable listed companies, and also taking into account the sustainable improvements in results and value creation for the Company realized by the Executive Management.

Based on the aforementioned observations, the Board of Directors decided to maintain the remuneration methodology as decided upon in 2011 and set out in the Corporate Governance Charter, but to increase the amounts by € 100 000 for BVBA Eddy Duquenne (a € 55 000 increase in the fixed remuneration, a € 30 000 increase in the variable remuneration and a € 15 000 increase in the outperformance bonus) and for Mr. Bert an increase in the fixed remuneration of € 15 000.

From January 2013, BVBA Eddy Duquenne will also be entitled to charge to the Company a fixed amount of € 750 per month to cover expenses.

The Board of Directors expressed 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 furthermore beliefs that the maximum impact on the Company of the allocation of the performance-linked variable remuneration, which can amount up to 750 000 euros, is amply offset by the value creation that the proposed system could generate for the Company.

Messrs Joost Bert and Eddy Duquenne returned to the meeting after such decision.

3. *Adjustment of the remuneration for the Chairman of the Board of Directors*

Conflict of interest arrangement

Mr. Philip Ghekiere stated that he possibly had a conflict of interest of a proprietary nature, within the meaning of article 523 of the Companies Code, with this point on the agenda, as he, as Chairman of the Board of Directors, would receive higher remuneration if the proposal on revision of the remuneration of the Chairman were to be approved.

After obtaining legal advice, the Chairman proposed to apply, as a precaution, the conflict of interest arrangement provided for in article 523 of the Companies Code with regard to this point on the agenda, despite the fact that the overall remuneration of the Board of Directors would be presented to the General Meeting.

The Chairman left the meeting and did not participate in the deliberations and decision on this point on the agenda.

Clarification and deliberation

The Board of Directors observed that the Board of Directors was chaired by the Chairman in an efficient and high quality way and his commitment and chairmanship of the Board of Directors has contributed to the success of the Company.
Within that context, the Board of Directors also noted that, after analysis of remunerations in comparable companies and on the advice of the NRC, it was appropriate to adjust the Chairman's remuneration after five years.
The Board of Directors' overall remuneration portfolio will have to be approved by the General Meeting.

Decision

Given the above clarification and after the advice of the NRC, the Board of Directors decided, subject to the approval by the General Meeting of the overall remuneration portfolio of the Board of Directors, to adjust the remuneration of the Chairman of the Board of Directors for the fiscal years 2013 and beyond, as well as to remunerate the presidency of the NRC, in line with the presidency of the audit committee, on the basis of a fixed annual amount and to remunerate the participation in the NRC with a fixed amount for each participation, resulting in the following amounts:

- *€ 87 250 for the chairmanship of the Board of Directors;*
- *€ 3 750 for the presidency of the NRC;*
- *€ 3 000 for each participation in a meeting of the NRC.*

Lastly, the Board of Directors observed that, given that the aforementioned decision is subject to the approval by the General Meeting of the overall remuneration portfolio of the Board of Directors and observing that the adjustment of the remuneration of the Chairman remains within the limits of the overall remuneration portfolio, there were no proprietary consequences for the Company in relation to this decision.

That is because the Company only bears the cost of the overall remuneration portfolio and incurs no additional costs or charges as a consequence of the distribution of the overall remuneration portfolio among the members of the Board of Directors.

The Chairman returned to the meeting after that decision.

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

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. 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. Miscellany

On 7 May 2013 the Board of Directors of Kinepolis Group NV and the extraordinary general meeting of Decatron NV, a wholly owned subsidiary of Kinepolis Group NV, approved the merger of Kinepolis Group NV (acquiring company) and Decatron NV (target company). The merger is part of the simplification of the corporate structures.

11. Profit appropriation

In making its proposal to the General Meeting regarding profit appropriation and distribution, the Board of Directors takes into account various factors, such as the Company’s financial position, operating profits, current and future resources, and expansion plans.

The payment of a gross amount of € 16 847 283 for fiscal year 2013, to be divided among the shares entitled to dividend, will be proposed, taking into account a pay-out ratio of 45% calculated on the current net profit. The Board of Directors decided to make the dividend, which is subject to the approval of the General Meeting, available to the shareholders on 2 June 2014 (ex-date: 28 May 2014; record date: 30 May 2014) through a financial institution of their choice and upon presentation of coupon No. 15.

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:	€ 45 139 274.62
Profit carrying forward from previous fiscal year:	€ 27 938 817.43
Addition to shareholders' equity:	
To other reserves	€ 28 477 676.66
Profit to be carried forward:	€ 27 753 132.39
Dividend	€ 16 847 283.00

Misters Eddy Duquenne, CEO, and Joost Bert, CEO, declare that 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 on the Company’s assets and liabilities, financial position and profit and loss;
- The annual report gives a true and fair view on the Company’s development and profit and loss, as well as on the main risks and uncertainties it has to deal with.

The Board of Directors, Brussels, 21 March 2014

Mr Philippe Ghekiere

Mr Joost Bert

Mr Eddy Duquenne

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

MarcVH Consult BVBA, whose permanent representative is Mr. Marc Van Heddeghem

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

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