

KINEPOLIS GROUP NV, public limited company
Eeuwfeestlaan 20, 1020 Brussels
Enterprise Number VAT BE 0415.928.179 RPR Brussels

Free Translation

Report of the Board of Directors related to the Statutory Financial Statements for fiscal year 2015 to the Ordinary General Meeting of 11 May 2016

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 policy and profit and loss of our company during the fiscal year from 1 January 2015 to 31 December 2015.

1. NOTES TO THE STATUTORY FINANCIAL STATEMENTS OF KINEPOLIS GROUP NV
(ART. 96 1° COMPANIES CODE)

Kinepolis Group NV shareholders' equity at 31 December 2015 is € 67 372 467.80 compared with € 66 944 081.54 at the end of 2014. The underlying reason for this change is explained in 1.2.1 below.

The balance sheet total of Kinepolis Group NV is € 389 611 804.15 compared with € 303 908 855.41 in 2014. The underlying reason for this change is explained in 1.1 and 1.2 below.

1.1. Unconsolidated balance sheet: comments on the main assets

1.1.1. Intangible assets

The intangible assets fell by € 237 833.30, primarily due to amortizations in the fiscal year under review of € 786 764.66 and the taking into use of new software with regard to online ticket booking and the new time registration system.

1.1.2. Property, plant and equipment

Investments (including conveyance of assets under construction to intangible assets) totaled € 2 649 051.09. This primarily concerns the purchase of new technologies and the development of a new ticketing platform. Disposals totaling € 1 289 951.75 were recognized in Property, plant and equipment. The depreciations were € 2 534 638.20 and € 888 502.63 in depreciations were reversed as a result of disposals.

1.1.3. Financial fixed assets

The financial fixed assets rose by € 82 864 602.44 due to the acquisition of an additional participating interest and capital increase in subsidiaries.

1.1.4. Inventories and orders in progress

Inventory rose by € 963 197.70, primarily due to projection equipment with regard to Dordrecht and hardware for the new ticketing platform.

1.1.5. Current receivables

Current receivables rose by € 7 355 224.74, which primarily comprises intercompany receivables.

1.1.6. Investments

Investments decreased by € 6 125 366.13, primarily due to the purchase of company shares by means of the exercise of granted options.

1.1.7. Accrued charges and deferred income

Accrued charges and deferred income, consisting of costs to be carried forward to future fiscal years, primarily refinancing costs, were € 1 622 313.45.

1.2. Unconsolidated balance sheet: comments on the main liabilities

1.2.1. Capital, share premium and profit carried forward

Profit for the fiscal year was € 21 912 713.55, which is lower than the previous year, primarily due to the set up of a provision in response to the decision of the European Commission on the Belgian Excess Profit Ruling and the non-receipt of dividends from the subsidiaries.

Operating profit rose by € 9 681 429.87. The unavailable reserves decreased to € 3 238 310.67 due to the purchase of company shares.

1.2.2. Provisions and deferred taxes

A provision of € 9 355 000.00 was set up in response to the decision of the European Commission on the Belgian Excess Profit Ruling.

1.2.3. Non-current loans and borrowings

Non-current loans and borrowings rose by € 112 238 993.93, largely due to a private placement of € 96 000 000 and an increase in intercompany loans and borrowings.

1.2.4. Current loans and borrowings

Current loans and borrowings decreased by € 44 811 309.09, primarily due to the reduction in commercial paper.

1.2.5. Accrued charges and deferred income

Accrued charges and deferred income rose due to the provision of the interest on the private placement and the centralization of voucher issues.

1.3. Comments on the unconsolidated income statement

Operating profit rose by € 9 681 429.87 due to higher receipts. The advantages of operational efficiency and the lower overhead costs were weakened by the costs relating to the expansion projects. Financial income fell as no dividends was received, unlike the previous year. The slight rise in financial costs was due to a higher debt. The non-recurring costs primarily relate to the write off of fixed assets. The tax cost rose primarily due to the set up of a provision of € 9.4 million as a result of the decision of the European Commission with regard to the Belgian Excess Profit Ruling.

2. KEY EVENTS AFTER THE END OF THE FISCAL YEAR (ART. 96.2° COMPANIES CODE)

On 11 January 2016 the European Commission published its decision that the Belgian tax ruling with regard to 'Excess Profit' should be considered as illegal state aid. The decision of the European Commission imposes on the Belgian state the obligation to reverse tax breaks granted in the past and claim the difference from the companies in question.

On 26 February 2016, the Belgian government has appealed against the European Commission's decision before the European Court of Justice. Kinopolis will decide whether any legal action will be taken depending on the further evolution of the file.

3. INFORMATION ABOUT THE CIRCUMSTANCES THAT COULD HAVE A SIGNIFICANT IMPACT ON THE DEVELOPMENT OF THE COMPANY - PRINCIPAL RISKS AND UNCERTAINTIES (ART. 96 1° AND 3° COMPANIES CODE)

Performance indicators

The financial statements and the annual report give a true and fair view of the 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 Kinopolis 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 2014, in 2015 this occurred on the basis of a written survey of the participants, which led to both quantitative and qualitative results, enabling risks to be assessed in order of scale. Although this way of working enables Kinopolis to distinguish important risks from less important risks in a well-founded way, it remains an estimation that, inherent to the definition of risk, provides no guarantee whatsoever of the actual occurrence of risk events. The following list therefore contains only some of the risks to which Kinopolis is exposed.

Availability and quality of supplied material - seasonal and weather effect

Given that the majority of Kinopolis subsidiaries is active in cinema operations, Kinopolis

itself is indirectly dependent on the availability and quality of films. Kinopolis endeavors to protect itself wherever possible by maintaining good long-term relations with the major distributors or producers, by pursuing a content diversification policy and by playing a role as distributor in Belgium. The investments in Tax Shelter projects should also be viewed in this light.

Kinopolis endeavors to minimize seasonal and weather effects by diversifying the cost structure.

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 Kinopolis 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, Kinopolis Group will thoroughly examine acquisition opportunities in advance, to ensure these risks are properly assessed and, where necessary, controlled.

Political, regulatory and competition risks

Kinopolis Group strives to operate within the legal framework at all times. However, additional or amended legislation, including tax laws, could restrict Kinopolis' growth and operations or result in additional investments or costs. Where possible, Kinopolis Group actively manages these risks by notifying the relevant political, administrative or legal bodies of its positions and defending them in an appropriate way. Belgium's Competition Council has imposed a number of conditions and restrictions, such as the need for its prior approval of plans to build new cinema multiplexes or acquire existing cinema multiplexes in Belgium if these do not involve the rundown of existing multiplexes.

Employee risks

As a service company, Kinopolis largely depends on its employees to provide high-quality service. Hiring and retaining the right managers and employees with the requisite knowledge and experience in all parts of the Company is therefore a constant challenge.

Kinopolis accepts this challenge by offering attractive terms of employment, good knowledge management and a pleasant working atmosphere, as well as the providing appropriate training and guidance. Kinopolis Academy was set up, offering a wide range of trainings to enable new employees to settle into their new job quickly, existing employees to stay up to speed in their current job and to take the step up to a new job. A Talent Factory was also created to provide employees with potential close guidance in career planning and development.

Kinopolis 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)

After the buy-back in 2015 of a further 29 339 shares under the authorization given by the Extraordinary General Meeting of 19 October 2012 (to buy back 5 856 505 shares for cancellation) and the delivery of 1 314 370 shares within the framework of the exercise of options, on 31 December 2015 Kinopolis held 244 221 treasury shares with a capital value of €

169 140. Under the above authorization by the Extraordinary General Meeting, at 31 December 2015 Kinopolis Group NV was authorized to buy back another 3 839 996 shares.

5. USE OF FINANCIAL INSTRUMENTS (ART. 96 8° COMPANIES CODE)

The Company had no outstanding financial instruments at 31 December 2015.

6. CORPORATE GOVERNANCE STATEMENT

Pursuant to the Belgian Corporate Governance Code of 12 March 2009 (hereinafter the 'Code'), the stipulations of which Kinopolis Group NV subscribes to, the Board of Directors approved on 18 November 2014 a revised version of the Corporate Governance Charter of Kinopolis Group NV. The Charter can be consulted at the Kinopolis Investor Relations website.

In this chapter of the annual report more factual information is provided on the Corporate Governance policy pursued in the fiscal year 2015, 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 2015 was € 18 952 288.41.

Authorized capital was represented by 27 365 197 shares without nominal value, all of which give the same rights to holders.

After the buyback in 2015 of a further 29 339 treasury shares under the authorization given by the Extraordinary General Meeting of 19 October 2012 (to buy back 5 856 505 shares for cancellation), the delivery of 1 314 370 shares (after the share split in five on 1 July 2014) within the framework of the exercise of options, on 31 December 2015. Kinopolis Group held 244 221 treasury shares with a capital value of € 169 140. Under the above authorization by the Extraordinary General Meeting, at 31 December 2015 Kinopolis Group NV was authorized to buy back another 3 839 996 treasury shares.

6.2. Rights to nominate a director

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

6.3. Shareholder agreements

Kinepolis Group NV 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 Facility 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, and as amended and renewed on 22 June 2015 and 17 December 2015, 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.

Furthermore, under the General Terms and Conditions of the Prospectus dated 12 May 2015 making an Unconditional Public Offer to Exchange the aforementioned bonds, in case of a change of control (as defined in the Prospectus) any bond holder will have the right to oblige Kinepolis Group NV to refund 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.

Lastly, there is a clause in the General Terms and Conditions dd. 16 January 2015 with regard to the private placement of bonds with institutional investors valued at € 96.0 million euros in the event of a change of control that is identical to the one set down in the aforementioned Prospectus.

6.5. Shareholder structure and received notifications

Based on the notifications received within the framework of Article 74 of the Public Acquisition Bids Act of 1 April 2007, from Kinopolis Group NV, Kinohold Bis SA, Stichting Administratiekantoor Kinohold, Marie-Suzanne Bert- Vereecke, Joost Bert, Koenraad Bert, Geert Bert and Peter Bert, acting by mutual agreement (either because they are 'affiliated persons' within the meaning of Article 11 of the Companies Code or they are otherwise acting by mutual agreement) and collectively holding more than 30% of the voting shares of Kinopolis Group NV, on subsequent transparency statements (within the meaning of the Act of 2 May 2007 and the Royal Decree of 14 February 2008 regarding the disclosure of major holdings) and statements within the meaning of the share buyback program, as of 31 december 2015:

- Kinohold Bis SA held 12 700 050 shares or 46.41% 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): Joost Bert, Koenraad Bert, Geert Bert and Peter Bert;
- Kinohold Bis SA otherwise acts in close consultation with Joost Bert;
- Kinopolis Group NV, which is controlled by Kinohold Bis SA, held 244 221 shares or 0.89% treasury shares;
- Mr Joost Bert, who acts in close consultation with Kinohold Bis SA, held 554 540 shares or 2.03% of the shares of the Company.

SHAREHOLDERS' STRUCTURE AT 31 DECEMBER 2015

SHAREHOLDER	NUMBER OF SHARES	%
Kinohold BIS SA	12 700 050	46,41
Mr. Joost Bert	554 540	2,03
Kinopolis Group NV	244 221	0,89
Free Float of which:	13 866 386	50,67
- Axa SA	1 523 555	5,57
- BNP Paribas Investment Partners NV	1 406 080	5,14
TOTAL	27 365 197	100%

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 eight members, five of whom are independent of the majority shareholders and management. Those directors fulfil 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 innovation and continuity in order that the acquired knowledge and history can be passed on efficiently. In this context, after the end of Mr Marcus Van Heddeghem's (1) mandate, the Board of Directors diversified further with the appointment of two complementary profiles Ms Annelies van Zutphen, who has extensive experience of the Dutch retail sector and Mr Jo Van Biesbroeck (2), who has filled various top positions, including Chief Strategy Officer at AB Inbev.

(1) Permanent representative of MarcVH-Consult bvba

(2) Permanent representative of JoBV bvba

In 2016, the Board will continue to bring its composition further into line with the requirements in Article 518 bis of the Companies Code.

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 below 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 2015.

COMPOSITION BOARD OF DIRECTORS

NAME	POSITION	TERM ENDS	OTHER POSITIONS AT LISTED COMPANIES	ATTANDANCE MEETINGS (14)
Mr Philip Ghekiere (1) (2)	Chairman	2016	/	All meetings
Mr Eddy Duquenne	CEO	2016	/	All meetings
Mr. Joost Bert (2)	CEO	2016	/	All meetings
Ms Marion Debruyne, permanent representative of Marion Debruyne bvba	Independent Director	2017	Recticel NV: director	Twelve meetings
Ms Annelies van Zutphen (since 13 May 2015)	Independent Director	2017	/	Nine meetings
Mr Rafaël Decaluwé, permanent representative of Gobes Comm. V.	Independent Director	2017	Jensen Group NV: Chairman	Eleven meetings
Mr Jo Van Biesbroeck, permanent representative of Gobes Comm. V. JoVB bvba (since 13 May 2015)	Independent Director	2017	Telenet NV: Director	Seven meetings
Mr Geert Vanderstappen, permanent representative of Gobes Comm. V. bvba Management Center Molenberg	Independent Director	2018	smartphoto Group NV: Director	All meetings
Mr. Marcus Van Heddeghem, permanent representative of MarcVH Consult (1) (till 13 May 2015)	Independent Director	2015	/	Three meetings

(1) Non-executive director

(2) Represent the majority shareholders

Activity Report of the Board of Directors

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

- Review of the monthly revenue 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 property opportunities;
- 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 and investment plan for the following fiscal year;
- The evaluation and approval of expansion projects;
- Determination of the short-term and long-term strategy;
- The short- and long-term financing;
- 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 2016. Additional meetings may be held if needed.

Composition and activity report of the Nomination and Remuneration Committee

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

- Mr Philip Ghekiere (Chairman Kinopolis Group NV and Managing Partner at Metis Capital);
- Gobes Comm. V., whose permanent representative is Mr Rafaël Decaluwé (former CEO of Bekaert NV and Chairman of the board of Jensen Group NV);
- JoVB bvba, whose permanent representative is Mr Jo Van Biesbroeck (for years senior manager at AB Inbev), appointed at the general meeting of 13 May 2015;
- MarcVH-Consult bvba, whose permanent representative is Mr Marcus Van Heddeghem, until 13 May 2015, when his mandate ended.

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

The NRC met five times in 2015 in the presence of all members and mainly dealt with the following:

- Evaluation of the management targets for Executive Management and establishment of the variable remuneration and outperformance bonus for the fiscal year 2014;
- Qualitative and quantitative management targets with regard to the fiscal year 2015 for Executive Management and the corresponding variable remuneration;
- The evaluation and remuneration policy for senior management;
- The evaluation process and bonus policy for budget owners;
- The 2007-2016 share option plan and arrangements for its implementation, as well as the possibility to implement a new share option plan;
- The evolution in composition of the Board of Directors and the ensuing process for selecting and appointing candidates;
- 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 smartphoto group NV 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 2015 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 2015 risk management action plan;
- Discussion of the risk survey 2015;
- Evaluation of the effectiveness of the external audit process;

- Evaluation of the functioning of the internal auditor;
- Monitoring of the financial reporting and its compliance with the applicable reporting standards;
- Evaluation of the working relationship with the statutory auditor;
- Procedure for the appointment of the statutory auditor for the period 2016-2019.

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.

In 2015 an evaluation was conducted with regard to the composition and functioning of the Board and its committees, the interaction with Executive Management, the quality and adequacy of the preparatory documentation, the course of the meetings and the content of the agenda. This 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 in the Board of Directors, where the appropriate follow-up measures are implemented.

6.8. Executive Management

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

6.9. Insider Trading beleid - code of conduct - transactions with related parties

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

In this regard, the Company announces, as stated in the press release of 24 November 2015, that Kinohold Bis SA, Mr Joost Bert, PGMS NV, Mr Philip Ghekiere and Mr Eddy Duquenne have been notified of the decision of the FSMA's Sanctions Committee in the proceedings brought against them by the FSMA's Management Committee due to alleged insider dealing with regard to their purchase of shares on their account on 22 November (and with regard to Kinohold Bis SA also on 23, 24 and 25 November) 2011.

The Sanctions Committee has judged that the purchases of shares constitute an infringement of the law on insider knowledge by the parties in question, but that in assessing the sanction 'the circumstances that there is no proof of an intentional infringement' and 'the good faith of the parties involved' as well as the fact that 'it concerns a one-off infringement by irreproachable persons' should be taken into account, so a simple statement of guilt by Messrs. Joost Bert, Philip Ghekiere and Eddy Duquenne is a weighty and adequate sanction, without the need for a penalty. The Sanctions Committee has imposed an administrative fine of € 200 000 on Kinohold BIS SA and € 15 000 on PGMS NV. The parties involved have notified the Company that they have appealed against this decision.

A Code of Conduct has been in force since 2013, containing the appropriate guidelines, values and standards with regard to the ethical and fitting way Kinopolis wishes to treat employees, customers, suppliers, shareholders and the general public.

The transactions with related parties as included in Note 28 to the Consolidated Financial Statements were conducted in complete transparency with the Board of Directors.

6.10. Remuneration report

Kinopolis Group NV tries to provide transparent information regarding the 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 used:

- 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 a fixed remuneration, Executive Management receives a 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 include both quantitative targets, which are set and measured annually based on the improvement of the financial results compared to the previous year, 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. 30% of the variable remuneration is linked to the attainment of the qualitative targets and 70% is linked to the attainment of the quantitative targets;

- The following principles are also used:
- 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 a fixed remuneration, Executive Management receives a 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 include both quantitative targets, which are set and measured annually based on the improvement of the financial results compared to the previous year, 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. 30% of the variable remuneration is linked to the attainment of the qualitative targets and 70% is linked to the attainment of the quantitative targets;
- As well as this variable remuneration, long-term incentives in the form of share options or other financial instruments of the Company or its subsidiaries may also be allocated to Executive Management. The remuneration package for Executive Management may additionally include participation in the corporate pension plan and/ or the use of a company car;
- The Company's formal right to claim back variable remuneration and outperformance bonus granted on the basis of incorrect financial data was not explicitly provided for in such cases;
- The exit compensation of a member of Executive Management in the event of early termination of a contract (entered into after 1 July 2009) will not exceed twelve (12) 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 (18) months' basic and variable remuneration. In any event, the exit compensation may not exceed twelve (12) months' basic remuneration and the variable remuneration cannot be taken into account if the departing person has not met the performance criteria referred to in his or her contract.

Procedure

The annual overall remuneration for the members of the Board of Directors will be determined by the General Meeting following a proposal from the Board of Directors advised 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 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 Nomination and Remuneration Committee, 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 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 achievement of the quantitative targets will be measured based on the improvement of the financial results compared to the previous fiscal year, with due consideration for the changes in the critical parameters for value creation in the existing businesses and the impact of the integration of expansion projects. The qualitative targets to be attained over more than one year will be evaluated on an annual basis against progress towards each specific target.

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 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 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 achievement of the quantitative targets will be measured based on the improvement of the financial results compared to the previous fiscal year, with due consideration for the changes in the critical parameters for value creation in the existing businesses and the impact of the integration of expansion projects. The qualitative targets to be attained over more than one year will be evaluated on an annual basis against progress towards each specific target.

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 € 24 223 including taxes, is paid by the Company.

REMUNERATION BOARD OF DIRECTORS

NAME	TITLE	REMUNERATION 2015 (in €)
Mr Philip Ghekiere	Chairman of the Board of Directors and of the Nomination and Remuneration Committee	103 000
Mr Eddy Duquenne	CEO	30 000
Mr Joost Bert	CEO	30 000
Ms Marion Debruyne, permanent representative of Marion Debruyne bvba	Independent Director	32 500
Ms Annelies van Zutphen	Independent Director	21 668
Mr Rafaël Decaluwé , permanent representative of Gobes Comm. V.	Independent Director	56 500
Mr Jo Van Biesbroeck, , permanent representative of JoVB bvba (sincz 13 May 2015)	Independent Director	24 668
Mr Geert Vanderstappen, , permanent representative of bvba Management Center Molenberg	Independent Director	48 250
Mr Marcus Van Heddeghem, , permanent representative of MarcVH Consult bvba	Independent Director (till 13 May 2015)	19 833
TOTAL		366 419

Application of the remuneration policy on the members of Executive Management

Principles

On the proposal of the Nomination and Remuneration Committee, and with due consideration for the benchmark data from an external survey, it was decided to adapt the remuneration policy and the remuneration of the Executive Management for the fiscal years 2015-2016 in order to bring the policy more into line with practice at other comparable listed companies with regard to the ratio of the fixed to the variable part of the remuneration package and to keep the remuneration in line with market rates, bearing in mind the roles, responsibilities, management targets and value created.

Given the above and with due consideration for the long-term improvement in the results of the existing core businesses, the important steps taken in the implementation of the expansion strategy and the great value created for all stakeholders by the Executive Management in recent years, it was decided to adjust the remuneration for the fiscal years 2015 and 2016 and to no longer make a distinction between the variable remuneration and the outperformance bonus, resulting in the packages below:

bvba Eddy Duquenne

- fixed remuneration:	€ 538 242
- maximum variable remuneration :	€ 400 000
- annual fixed expense allowance:	€ 9 000
TOTAL	€ 947 242

Mr Joost Bert

- fixed remuneration:	€ 350 120
- maximum variable remuneration:	€ 220 000
TOTAL	€ 570 120

The amount of the variable remuneration ultimately granted to Executive Management depends on the fulfilment of the annual management targets, which apply collectively to Executive Management and comprise both quantitative and qualitative targets.

In setting the targets for the fiscal year 2015, the Board of Directors has decided to use the recurring EBITDA parameter to determine the quantitative management targets as it feels that this is a more relevant measure of the development of value creation within the company than the net current profit parameter that was previously used. The development of the existing activities and the impact of the integration of expansion projects will be taken into account when assessing whether they have been attained. The goal of the quantitative targets is to improve or at least maintain the financial performance of the Group's core businesses and to provide stimuli for the attainment of synergies in the expansion projects at recurring EBITDA level, with due consideration for unforeseeable external factors.

The qualitative targets relate to the further expansion of the company, the further development of the Talent Factory and the further optimization of management reporting.

All targets were established to ensure that they help attain not only the short-term goals but also the long-term goals of the Group.

These targets were evaluated at the beginning of the fiscal year 2016 and if they have been attained the variable remuneration with regard to the performances in the fiscal year under review will be paid out.

Application

In the evaluation of the fiscal year 2014, the Board of Directors observed that, with regard to the qualitative targets, the assumed milestones were achieved or at least concrete progress was made. The Board also judged that, despite the fact that the quantitative targets were not attained completely, due consideration had to be given to the strong performance of Executive Management in the core businesses in difficult market conditions and the big steps taken to ensure future value creation. In this context, after the recommendation of the Nomination and Remuneration Committee the Board decided to award the full variable remuneration linked to qualitative targets and 83% of the variable remuneration linked to quantitative targets, resulting in a total sum of € 260 000 for Mr Eddy Duquenne and € 189 500 for Mr Joost Bert. With regard to the outperformance bonus, it was decided to award Mr Eddy Duquenne € 100 000 and Mr Joost Bert € 45 000, given the substantial achievements of the expansion strategy (the acquisition of the complexes in Madrid and Alicante (Spain) and the acquisition of the Wolff Group), which have resulted in value creation. The remaining balance of the outperformance bonus for the fiscal year 2014, being € 65 000 for Mr. Duquenne, will be awarded in 2016 when the underlying business cases of the aforementioned projects have been completed.

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.

There follows a summary of the fixed part of the remuneration, the other components of the remuneration (such as pension contributions and insurances) and the variable part, as paid out in 2015 (excluding VAT):

bvba Eddy Duquenne

- Fixed remuneration ⁽¹⁾	€ 538 242
- Variable remuneration ⁽²⁾	€ 260 000
- Outperformance bonus ⁽²⁾	€ 100 000
- Expense allowance	€ 9 000
TOTAL	€ 907 242

Mr Joost Bert

- Fixed remuneration ⁽¹⁾	€ 350 120
- Variable remuneration ⁽²⁾	€ 189 500
- Outperformance bonus ⁽²⁾	€ 45 000
- Pension scheme ⁽³⁾	€ 10 424
TOTAL	€ 595 044

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.

In 2008, the Chairman ⁽⁴⁾ and the members of Executive Management were each allocated 346 540 options ⁽⁵⁾. 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.

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

(2) Received in 2015 for performances in 2014

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

(4) In his former capacity of Executive Director

(5) The number at that time multiplied by five, with due consideration for the 2014 share split

In subsequent years various members of management were allocated 587 500 options, of which 100 000 were exercised and 100 875 expired.

In 2015 the Chairman and the Executive Management exercised all the options allocated to them and 274 750 options were exercised by members of management.

At 31 December 2015, 111 875 granted options were still outstanding.

A further description of the characteristics of these options is provided in note 19 to the Consolidated Financial Statements.

Fiscal years 2016-2017

The Board of Directors will propose to the General Meeting of 11 May 2016 the adoption of the 2016 Share Option Plan, under which options on existing shares can be offered to the Chairman of the Board of Directors, Executive Management and eligible management staff of the Company or its subsidiaries in order to enable the aforementioned persons to participate in the long-term shareholder value they will help create and so bring their interests into line with the interests of the shareholders.

In granting the share options the Company's goal is to be able to attract, motivate and in the long term retain the best management talent in the company.

Otherwise, the Company has no plans to introduce fundamental policy changes for the aforementioned fiscal years.

6.11. DESCRIPTION OF THE MAIN CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Kinopolis 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.

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

Roles and Responsibilities

Within Kinopolis 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 Kinopolis Corporate Governance Charter.

In brief, it can be stated that Executive Management bears final responsibility for the appropriate implementation and management of the risk management system, whereas the Board of Directors has a supervisory role in this matter.

The implementation and management of the risk management system is based on a pyramidal responsibility structure in which each manager is responsible not only for the proper introduction and application of the risk management processes within the scope of his or her job but also has a duty to monitor its proper implementation by his or her direct reports (who may in turn be managers).

In this way, management can be confident of proper and comprehensive risk management throughout the Company and have peace of mind that related risks in the various business processes and departments are tackled in an integrated way.

Application of the various components

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

Internal Control Environment

An appropriate internal environment is a precondition of being able to effectively apply other risk management components. An appropriate internal environment is a precondition of being able to effectively apply other risk management components. With this in mind, Kinopolis Group values integrity and ethical action highly. Alongside the existing legal framework, Kinopolis Group endeavours to encourage and enforce this type of behavior through preventive measures (such as Code of Conduct, 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. Kinopolis has a clear and uniform organizational structure, which fits within the various countries and business processes. The organizational structure, the determination of the various objectives, management of the budget and the remuneration process are also aligned to each other.

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

Objective setting

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

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

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

Internal Control

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

As stated above, it is first and foremost the duty of every manager to properly set up and implement the various internal risk management activities (including monitoring) within the scope of his or her job. In other words, each line manager is responsible for the appropriate and timely identification and evaluation of business risks and the ensuing control measures to be taken and managed. Although the individual line manager has some latitude when applying these rules, Kinopolis 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 Kinopolis conduct an annual risk assessment to acquire a general understanding of the business risk profile. The acceptability of residual risks is also assessed as part of this. If these are not acceptable, additional risk response measures are taken.

Information and Communication

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

Monitoring

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

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

6.12. Compliance with the Corporate Governance Code

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

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

- Contrary to 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 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 directors to be reappointed were not stipulated in the convening notices to the General Shareholders' Meeting of 13 May 2015, given that these qualifications are already published in several press releases and annual reports.

7. CONFLICT OF INTERESTS COVERED BY ARTICLE 523 OF THE COMPANIES CODE (ART. 523 COMPANIES CODE)

On **23 February 2015**, 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 a possible clarification in the press release on the 2014 annual results regarding the administrative proceedings initiated by the FSMA's Management Committee against Messrs. Joost Bert, Eddy Duquenne and Philip Ghekiere due to alleged insider knowledge in connection with purchases of shares made for their account.

Excerpt from the minutes:

Notification in accordance with Article 523 of the Companies Code

Messrs Eddy Duquenne and Philip Ghekiere clarified that the persons involved in the proceedings initiated in front of the FSMA's Management Committee against Kinohold Bis SA, Mr Joost Bert, PGMS NV, Mr Philip Ghekiere and Mr Eddy Duquenne due to alleged insider dealing with regard to the purchases of shares made for their account on 22 November (and with regard to Kinohold Bis SA also on 23, 24 and 25 November) 2011, ask themselves whether, from a governance and transparency perspective, it might not be appropriate for the Company to include a clarification regarding the aforementioned proceedings in the press release regarding the annual results.

By way of precaution Messrs Duquenne, Ghekiere and Bert stated that they had a potential 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 announcement of the ongoing FSMA proceedings and such an announcement could have a negative impact on their reputation.

Messrs Philip Ghekiere, Joost Bert and Eddy Duquenne hereby declare, in accordance with Article 523 of the Companies Code, that they shall notify the statutory auditor of the Company of this (potential) conflict of interest

After the aforesaid clarification, Messrs Philip Ghekiere, 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

Before the deliberations began, the legal counsellor appointed by the independent directors clarified that there was no unambiguous answer to the question whether the Company has an obligation to communicate on the aforementioned proceedings, so the primary consideration when answering this question should be the interests of the Company in such a communication.

After thorough deliberation and weighing up the interests with regard to the opportunity of such a communication, the Board of Directors decided that, in the context of good "governance", proactive, transparent communication on the ongoing proceedings is appropriate, with the proviso that the Company, which is not involved in the aforementioned proceedings, will restrict itself to merely referring to the existence of the aforementioned proceedings without further announcement, bearing in mind the possibly confidential information in the documents relating to the proceedings.

The text proposal with regard to this, which will be incorporated in the press release regarding the annual results approved by the previous meeting, will be circulated for approval in the course of the day.

This decision to include a clarification of the aforementioned proceedings in the press release regarding the annual results has no (direct or indirect) property consequences for the Company, as the Company is not itself involved in the proceedings and a claim has been established only against the persons as designated above.

On **23 March 2015**, 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 the evaluation of the attainment of the targets for the fiscal year 2014, the setting of the targets for the fiscal year 2015 and the remuneration package for the Executive Management for the fiscal years 2015-2016.

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 potential 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, the variable remuneration and outperformance bonus for the fiscal year 2014, the management targets for the fiscal year 2015 and the remuneration for the Executive Management for the fiscal years 2015-2016.

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

Approval of the variable remuneration and outperformance bonus for the fiscal year 2014

Deliberations and decision

After the explanation by the Chairman of the Nomination and Remuneration Committee and the conclusion that:

- with regard to the qualitative targets, the milestones were achieved or at least concrete progress was made;*
- with regard to the quantitative targets due consideration had to be given to the strong performance of Executive Management in the core businesses in difficult market conditions and the big steps taken to ensure future value creation;*

on the recommendation of the Nomination and Remuneration Committee, after thorough deliberation the Board of Directors decided to award the full variable remuneration linked to qualitative targets and 83% of the variable remuneration linked to quantitative targets, resulting in a total sum of € 260 000 for Mr Eddy Duquenne and € 189 500 for Mr Joost Bert.

*With regard to the outperformance bonus, bearing in mind the recommendation of the Nomination and Remuneration Committee, the Board of Directors decided to award Mr Eddy Duquenne € 100 000 and Mr Joost Bert € 45 000, given the substantial achievements of the expansion strategy (the acquisition of the complexes in Madrid and Alicante, Spain, and the acquisition of the Wolff Group), which have resulted in value creation. The remaining amount of the possible outperformance bonus, which is € 65 000 for Mr Duquenne and € 30 000 for Mr Bert¹, **will be allocated if the underlying business cases are completed in 2015.***

The payment of these amounts to Executive Management will be made in May 2015.

The maximum property consequences for the Company are € 689 500.

¹Mr Joost Bert has waived this remaining amount

Approval of the 2015 management targets for Executive Management

Deliberations and decision

On the recommendation of the Nomination and Remuneration Committee, after thorough clarification by the Chairman, the Board of Directors decided that the achievement of the quantitative targets will be measured based on the improvement of the financial results (Rebitda/net current profit) compared to the previous fiscal year, with due consideration for the changes in the critical parameters for value creation in the existing businesses and the impact of the integration of expansion projects.

The qualitative targets, which among other things relate to the further expansion of the company, the further development of the Talent Factory and the further optimisation of management reporting, will be evaluated annually based on the progress made on each specific target.

The targets will be concretized further by the NRC and presented at the next meeting.

The maximum property consequences for the Company consist in the maximum variable remuneration that could be granted to Executive Management.

Setting of the remuneration of the Executive Management for the fiscal years 2015-2016.

Deliberations and decision

After extensive clarification by the Chairman of the Nomination and Remuneration Committee, the Board of Directors took cognizance of the proposal of the Nomination and Remuneration Committee to change the 2015-2016 remuneration policy for the Executive Management.

Based on the aforementioned proposal, with due consideration for the benchmark data from an external survey, the Board of Directors decides to adapt the remuneration policy and the remuneration of the Executive Management for the fiscal years 2015-2016 in order to bring the policy more into line with practice at other comparable listed companies with regard to the ratio of the fixed to the variable part of the remuneration package and to keep the remuneration in line with market rates, bearing in mind the roles, responsibilities, management targets and value created.

Given the above, the Board of Directors decided to no longer make any distinction between the variable remuneration and the outperformance bonus and given the long-term improvement in the results of the existing core business, the important steps taken in the implementation of the expansion strategy and the great value created for all stakeholders by the Executive Management in recent years, the Board of Directors decided to adjust the remuneration as follows:

- to increase the fixed remuneration of BVBA Eddy Duquenne from € 428 242 to € 538 242 and to convert the variable remuneration of up to € 295 000 and the outperformance bonus of up to € 165 000 to variable remuneration of up to € 400 000; the annual expense allowance of € 9 000 is unchanged.*
- to increase the fixed remuneration for Mr Joost Bert from € 330 120 to € 350 120 and to convert the variable remuneration of up to € 215 000 and the outperformance bonus of up to € 75 000 to variable remuneration of up to € 220 000; the annual indexed pension contribution is unchanged.*

The management targets to which the variable remuneration is linked are qualitative and quantitative targets to which 30% and 70% respectively of the variable remuneration is linked.

The maximum property consequences for the Company are € 1 517 000.

After these deliberations Messrs Bert and Duquenne returned to the meeting.

On **18 June 2015**, 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 the concretization of the 2015 Management Targets.

Excerpt from the minutes

Ratification of the 2015 management targets

Notification in accordance with Article 523 of the Companies Code

Messrs Joost Bert and Eddy Duquenne informed the other directors that they had a potential 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 further concretization of the management targets for 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 extensive clarification by the Chairman of the NRC of the proposed management targets for the granting of the variable remuneration, the Board of Directors decided, after a thorough discussion, to approve the concretization of the qualitative management targets proposed by the NRC relating to the further expansion of the company, the further development of the Talent Factory and the further optimization of management reporting. Attainment will be measured against progress towards each specific target.

The Board of Directors also approved the methodology proposed by the NRC to assess the attainment of the qualitative targets. This methodology entails, with due consideration for the essential value creation parameters in the existing activities and the impact of the integration of expansion files, the starting point for the evaluation of the recurrent EBITDA is the recurrent EBITDA of the previous year and the target is the budgeted recurrent EBITDA.

The Board of Directors felt that recurrent EBITDA is a relevant measure of the development of value creation within the company and has decided to no longer use net current profit as a parameter for determining the qualitative management targets.

On **24 November 2015**, pursuant to Article 523 of the Companies Code and after the directors in question had left the meeting, deliberations were held and decisions taken with regard to the press release with reference to the decision of the Sanctions Committee in the aforementioned proceedings before the FSMA.

Excerpt from the minutes

Notification in accordance with Article 523 of the Companies Code

Messrs Philip Ghekiere, Joost Bert and Eddy Duquenne informed the other directors that they had a potential 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 communication regarding the decision of the Sanctions Committee dd. 20 November 2015 deeming that the persons

involved breached the ban on insider trading. They said they would also notify the statutory auditor of the company.

Messrs Ghekiere, Bert and Duquenne duly left the meeting and did not participate in the deliberations or vote on the agenda item in question.

Deliberation

As the oldest director, Gobes Comm. V., whose permanent representative is Mr Raf Decaluwé acted as chairman. He gave the floor to the company's legal advisor, who briefly clarified the company's legal obligations. In light of the legal rules regarding insider knowledge, the Board of Directors judged that it would be appropriate for the Company itself to make an announcement through a press release, as it had done when the annual results were announced. The Board of Directors then ran through the draft press release as presented. The Board of Directors expressed a preference for making a brief statement without taking a position on the decision itself.

Decision

The company's legal counsellor was asked to prepare an adapted text, based on the discussion, to be circulated among the directors for approval.

There are no property consequences for the company within the meaning of Article 523 of the Companies Code.

Messrs Ghekiere, Bert and Duquenne returned to the meeting, after which the Board of Directors asked Executive Management and the Compliance Officer to have the proceedings with regard to insider knowledge thoroughly evaluated by the company's lawyers and to propose any appropriate changes to the Board of Directors.

8. RESEARCH AND DEVELOPMENT (ART. 96, 4° COMPANIES CODE)

Kinopolis has developed a number of new concepts during the last financial year for the benefit of the operating entities, within the framework of the three strategic pillars. Kinopolis is committed to constantly adapting the experience it provides to the changing demographic trends, to be innovative with regard to picture and sound and other understandings, in order to improve the experience of the customers and protect the profitability of the group. An example of this is the installation of laser projection.

9. APPLICATION OF VALUATION RULES (ART. 96, 6° COMPANIES CODE)

The valuation rules remained unchanged and were applied for the purposes of the continuity of the Company.

10. PROFIT APPROPRIATION

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

For fiscal year 2015 the payment of a gross amount of €0.79 per share is proposed, based on a payout ratio of 50% of current net profit.

Subject to the approval of the General Meeting, the Board of Directors decided to make the dividend available to shareholders through a financial institution of their choice on 17 May 2016 (ex-date: 13 May 2016; record date: 16 May 2016).

The annual accounts were drawn up after allocation of the result, in accordance with the Royal Decree of 30 January 2001.

The following result appropriation was proposed:

Profit of the fiscal year to be appropriated:	€ 21 912 713.55
Profit carried forward from previous fiscal year:	€ 28 528 864.11
Withdrawal from equity:	
To the unavailable reserves:	€ 6 125 366.43
Profit to be carried forward:	€ 35 082 616.80
Dividends	€ 21 484 327.29

Messrs 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 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, 23 March 2016

Joost Bert

Eddy Duquenne