

**KINEPOLIS GROUP NV,
Limited liability company
which makes or has made recourse to public offerings
Euwfeestlaan 20, 1020 Brussels
Enterprise Number VAT BE 0415.928.179 RLE Brussels**

Free Translation

**Report of the Board of Directors related to the Statutory Financial Statements for
fiscal year 2017 to the Ordinary General Meeting of 9 May 2018**

Dear Shareholders,

In accordance with Articles 95 and 96 of the Companies Code and our Articles of Association, we have the honour to report to you on the policy and results of our company during the fiscal year running from 1 January 2017 to 31 December 2017.

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

Kinepolis Group NV shareholders' equity at 31 December 2017 amounts € 70 818 656.75 compared with € 69 116 716 09 at the end of 2016. This movement is further clarified below in 1.2.1.

The balance sheet total of the company is € 446 519 573.50 compared with € 413 704 216.72 in 2016. This movement is further clarified below in 1.1. and 1.2.

1.1. Statutory balance sheet: comments on the main assets

1.1.1. Intangible assets

The intangible assets increase by € 159 829.51, mainly due to depreciations in the fiscal year for € 1 557 838.71 and due to new investments for an amount of € 1 717 668.22 for the future rollout of the new software for the time recording system and investments for the new website and new technologies (such as mobile apps). Also the future rollout of the new ticketing system has an important impact on these investments. Furthermore investments were made for the implementation of new cinema concepts.

1.1.2. Tangible fixed assets

Investments were made for a total amount of € 2 162 965.73, mainly for the further rollout and development of the new ticketing platform and the further development of the projection in Fenouillet, Breda, Neveda, Dordrecht and Utrecht.

Disposals totalling an amount of € 135 326.15 were recorded in tangible fixed assets. The depreciations amount € 2 833 108.22 and € 114 033.77 in depreciations were reversed as a result of disposals.

1.1.3. Financial fixed assets

The financial fixed assets rose by € 34 540 916.53, due to the acquisition of an additional participation in Kinapolis Canada for € 36 566 474.53, a rewarding impairment of KFD for € 1 998 897.00 and a partial writing off of the Wolff project for € 642 000.00.

1.1.4. Stocks and contracts in progress

Stocks decreased by € 1 048 063.50 in 2017, mainly due to the purchase of goods for the installation of three new complexes and hardware material for the new ticketing platform.

1.1.5. Amounts receivables within one year

Amounts receivables within one year decreased by € 225 441.70.

1.1.6. Investments

Investments remained equal to the last year.

1.1.7. Deferred charges and accrued income

Deferred charges and accrued income, consisting of costs to be carried forward to future fiscal years, being mainly refinancing costs, amounts € 1 759 048.25.

1.2. Statutory balance sheet: comments on the main liabilities

1.2.1. Capital, share premium account and profit brought forward

Profit for the fiscal year was € 26 235 413.16. Operating profit rose by € 6 077 102.04.

1.2.2. Provisions and deferred taxes

Due to the decision of the European Commission concerning the Belgian Excess Profit Ruling, a provision of € 9 355 000.00 had been made in 2015. A first payment of € 6 267 095.71 has been done in 2016, after which a write back of the remaining provision was done in 2017 as a result of the payment that of € 3 087 904,29 has been done in this case.

€ 98 704, 45 of provisions were also set up for lawsuits.

1.2.3. Amounts payable after more than one year

Long term debts and borrowings rose by € 9 522 729.94. On the one hand two new private placements were realized in December 2017, on the other hand the intercompany debts had strongly decreased.

1.2.4. Amounts payable within one year

Amounts payable within one year amount € 64 842 214.60, resulting in a rise of € 24 894 156.08 from 2016.

At the end of December 2017, a commercial paper loan for an amount of € 29 000 000.00 was outstanding. Liabilities regarding taxes decrease with € 1 512 706.85.

Other liabilities fall with € 686 659.81.

This is due to the repayment of the outstanding debt of 2016 for the purchase price of Utopia Belgium and also due to an increase, as a result of the distribution of a higher dividend payment for an amount of € 840 892.13.

1.2.5. Deferred charges and accrued income

The deferred charges and accrued income decrease by € 314 270.06, with as largest decrease the account deferred income of the film vouchers.

1.3. Comments on the statutory income statement

Operating income increased by € 8 402 654.12.

Operating charges rose by € 2 325 522.08.

More overhead cost were made, due to the expansion of the Group and the implementation of new software .This results in a increase of the operating profit for an amount of € 6 077 102.04.

Financial income declined with € 633 035.22, mainly due to the fact that no capital gain was realized on the sale of shares.

Financial costs rose with € 3 518 995.32, mainly due to the impairment of KFD for € 1 998 897.00.

Due to higher profit before tax, taxes rose by € 1 126 487.00 over the previous financial year.

2. KEY EVENTS AFTER THE END OF THE FISCAL YEAR (ART. 96,2° COMPANIES CODE)

On 15 January 2018, Kinopolis Group NV started a share buyback program in which an agent has been given a discretionary mandate to buy back up to 360 000 own shares, either on the stock exchange or outside of it, between 15 January 2018 and 30 September 2018. Block trades can be considered as well during open periods.

The share buyback will be carried out within the conditions specified in the authorization by the Extraordinary General Meeting of May 11, 2016. Under this authorization, the Board of Directors is authorized to buy back own shares, under certain conditions, to cover the 2016 Share Option plan.

In response to the request of Kinopolis Group nv for cancellation of the behavioral measures which were imposed on it in 1997, the Belgian Competition Authority decided to relax these conditions and to no longer subject the opening of new

cinemas in Belgium to its prior permission from 31 May 2019. The other behavioural measures, including the prior approval by the Competition Authority for the acquisition of existing cinemas in Belgium and the prohibition to request exclusivity or priority from film distributors, remain applicable for a renewable term of three years. Kinopolis is permitted to file a new request to withdraw the behavioural measures at the end of this period.

Two Belgian cinema groups appealed against the decision of the Belgian Competition Authority of 31 May 2017. On 28 February 2018, the Court of Appeal issued its judgment, stating that the arguments of the Belgian Competition Authority were not sufficiently motivated to warrant partial cancellation of the behavioural measures imposed on Kinopolis. The Belgian Competition Authority will now have to take a new decision.

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 the 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 previous years, in 2017 this again occurred 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 Kinopolis to distinguish important risks from less important risks in a wellfounded 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 (in random order) therefore contains only some of the risks to which Kinopolis is exposed.

Availability and quality of supplied material

Bearing in mind that Kinopolis Group nv does not produce any content itself (such as movies), it is dependent on the availability, diversity and quality of movies as well as the possibility of being able to rent this content from distributors. Kinopolis Group endeavors to protect itself wherever possible by maintaining good long-term relations with the major distributors or producers, by pursuing to some extent 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.

Seasonal and weather effects

The operating revenues of Kinopolis Group can vary from period to period, as the producers and distributors decide when their movies are released completely independently of the cinema operators and because certain periods, such as holidays, can traditionally have an impact on visitor numbers. The weather can also play an important role in the frequency of cinema visits. Kinopolis largely accepts this risk, considering that the costs of a financial hedging policy would exceed the revenue from it, but endeavors to mitigate the consequences among other things by variabilizing its cost structure to a maximum degree.

Competition

Kinopolis Group's position as a cinema operator is subject to competition just like every other product or service for which substitution exists. Kinopolis Group's position is impacted by increasing competition from other leisure activities, such as concerts and sporting events, which can influence the behavior of Kinopolis customers. This competition also comes from the cinemas of other operators - both existing and prospective - in the markets where the Group is active and from the increasing distribution and availability of films and series through online content media, video-on-demand, pay-per-view and suchlike. This development can also be influenced by the shortening of the period ordinarily observed by the distributors, between the first screening of a movie in the cinema and its availability through other channels, as well as the constant technical improvement in the quality of these alternative ways of watching movies. Besides these legal alternatives, the cinema industry also has to deal with illegal downloads. Kinopolis is working actively with distributors to agree measures to counter any increasing illegal sharing of material online.

Kinopolis strives to strengthen its competitive position as a cinema operator by implementing its strategic vision, which is focused on being able to provide customers with a premium service and film experience.

Economic situation

Changes to the general, global or regional economic situation or the economic situation in areas where Kinopolis Group is active and that can impact consumer behavior and the production of new movies, can have a negative impact on Kinopolis Group's operating profits. Kinopolis endeavors to arm itself against this threat by being rigorously efficient and closely monitoring and controlling costs and margins. Changing economic conditions can also increase competitive risks.

Risks arising from growth opportunities

In the event of further growth, 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 growth opportunities, either through acquisition or new-build projects, that can have a negative impact on the targets set. Kinopolis Group will thoroughly examine growth 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 /or 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 Authority has imposed a number of conditions and restrictions on Kinopolis Group, such as the requirement of the prior approval of the Competition Council for acquisitions of cinema complexes in Belgium if these do not entail the rundown of existing complexes.

Technological risks

Cinema has become a highly computerized and automated sector in which the correct technological choices and optimal functioning of projection systems, sales systems and other ICT systems are critical to be able to offer customers optimal service. Kinopolis Group tries to manage these risks by closely following the latest technological developments, regularly analyzing system architecture and, where necessary, optimizing and implementing best ICT practices.

Employee risks

As a service company, Kinopolis 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. Kinopolis accepts this challenge by offering attractive terms of employment, good knowledge management and a pleasant working atmosphere. Kinopolis measures employee satisfaction on the basis of employee surveys and where necessary improves its policies.

Risks arising from exceptional events

Events of an exceptional nature, including but not limited to extreme weather, political unrest and terrorist attacks, in a country where Kinopolis Group is active and that result in material damage to one of the multiplexes, a fall in the number of customers or disruption in the delivery of products can have a negative impact on activities. Kinopolis strives to minimize the potential impact of such risks through a combination of preventive (such as construction decisions, evacuation planning) and detection measures (such as fire detection systems) and by taking out proper insurance.

Environmental liability and property risks

The property that Kinopolis Group owns and leases is subject to regulations with regard to environmental liability and potential property risks. In addition to the above mentioned measures to control political and regulatory risks, Kinopolis will take appropriate measures to prevent environmental damage and limit property risks.

Other risks

In response to the request of Kinopolis Group nv to cancel the behavioural measures imposed on it in 1997 by the Belgian Competition Council, on 31 May 2017 the Belgian Competition Authority decided to relax these measures and to no longer subject the opening of new cinemas in Belgium to its prior permission from 31 May 2019. In response to the appeal filed by a number of cinema operators, the Brussels Court of Appeal annulled this decision on 28 February 2018. The Belgian Competition Authority will now have to take a new decision.

Furthermore, proceedings continue in relation to a tax ruling applied to it in 2012. On 11 January 2016 the European Commission published its decision that the

Belgian tax rulings with regard to excess profit ruling are considered to be unlawful state aid. The decision of the European Commission obliges the Belgian government to make an additional claim for tax that would have been owed if such tax rulings had not been applied. As a consequence of the decision of the European Commission, in accordance with IAS 12 Kinopolis has set up a provision of € 9.4 million for a potential additional claim for tax on the excess profit that was not included in the taxable base due to the ruling. The amount of the provision covers the full potential claim, including interest charges. On 1 July 2016 Kinopolis Group, together with the other companies involved, appealed against the decision of the European Commission at the European Court of Justice. In 2017 pursuant to the above mentioned decision, the Belgian state demanded payment of the claimed tax owed, which Kinopolis paid without any harmful admission. If the appeal of Kinopolis Group is successful, all paid amounts will be refunded to Kinopolis. The final judgment of the European Court of Justice is not expected for a few years.

Kinopolis is confident that both proceedings will end satisfactorily.

The other risks stated in 2016 (with regard to Toison d'Or) were resolved successfully in 2017.

4. ACQUISITION OF TREASURY SHARES (ART. 624 AND 630 COMPANIES CODE)

On 31 December 2017 Kinopolis Group held 132 346 own shares with a capital value of € 91 658.74.

Under the authorization issued by the Extraordinary General Meeting of 11 May 2016 to the Board of Directors to buy back 410 958 own shares to cover the new options to be issued under the 2016 Share Option Plan, the Board of Directors decided on 22 December 2017 to buy back up to 360 000 own shares through the grant of discretionary mandates to an intermediary on or outside the stock market between 15 January 2018 and 30 September 2018 and where, during the open periods, block transactions can take place.

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

The Company had no outstanding financial instruments at 31 December 2017

6. DECLARATION OF NON-FINANCIAL INFORMATION AS PROVIDED FOR IN THE LAW OF 3 SEPTEMBER 2017

A detailed explanation regarding the declaration of non-financial information as provided in the law of 3 September 2017 can be found in *Chapter 3: Greenstar, Sustainable investment in people and planet* of the consolidated annual report of Kinopolis Group NV.

7. CORPORATE GOVERNANCE STATEMENT

The Board of Directors feels very strongly about the principles of corporate governance as set down in the Belgian Corporate Governance Code 2009 and in compliance with this code it approved a revised version of the Corporate Governance Charter on 16 February 2017 in response to the introduction of a new Dealing Code. The Charter can be consulted on 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 2017. The goal is to apply the principles resulting from this charter, wherever possible, without affecting the unique character of the Company. Where necessary, an explanation is given of the deviations from the Code in accordance with the 'comply or explain' principle

7.1. Share capital

The share capital at 31 December 2017 was € 18 952 288.41.

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

7.2. Rights to nominate candidates for a seat on the Board Of Directors

According to 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, at the moment the candidate is nominated as well as at the moment of appointment 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.

7.3. Shareholder agreements

Kinopolis 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.

7.4. Change of control

Under the terms of the Credit Agreement concluded on 15 February 2012 between, on the one hand, Kinopolis 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, 17 December 2015 and 13 December 2016**, 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 Kinopolis 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 Kinopolis Group nv 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 on the Investor Relations website of Kinopolis.

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 Kinopolis 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 also be consulted at the Kinopolis 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, as well as the General Terms and Conditions dd. **5 December 2017** with regard to the private placement of bonds with institutional investors valued at € 125 million, in the event of a change of control that is identical to the one set down in the aforementioned Prospectus

7.5. 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, 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 2017:

- 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, controlled by Kinohold Bis sa, held 132 346 or 0.48% own 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 2017

SHAREHOLDER	NUMBER OF SHARES	%
Kinohold BIS SA	12 700 050	46.41
Mr. Joost Bert	554 540	2.03
Kinopolis Group NV	132 346	0.48
Free Float of which:	13 978 261	51.08
- Axa SA	1 523 555	5.57
- BNP Paribas Investment Partners sa	1 368 974	5.00
- Black Roc Inc	1 115 517	4.08
- Ameriprise Financial Inc ⁽¹⁾	835 747	3.05
TOTAL	27 365 197	100%

(1) A transparency declaration of 26 March 2018 shows that Ameriprise Financial Inc. held a stake of less than 3% in Kinopolis Group on the aforementioned date.

7.6. 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.

7.7. Board of directors and special committees

Composition of the Board of Directors

The Board of Directors consists of nine members, four of whom can be considered as independent of the majority shareholders and management. These independent directors fulfil the criteria as stated in the Article 526 ter of the Companies Code 'establishing the criteria for independent directors' and were appointed upon nomination by the Board of Directors, which was advised on this matter by the Nomination and Remuneration Committee. The reference 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. The Board gives appropriate attention to complementarity and diversity among its members, including gender and age diversity, and ensures a balance between innovation and continuity in order that the acquired knowledge and history can be passed on efficiently in the Board and its committees. In this context, in 2017 the Board of Directors was enlarged with the addition of Ignace Van Doorselaere (ebvba 4F), whose extensive management experience in an international context and people-oriented growth philosophy adds value to the Board of Directors.

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 the next page shows the composition of the Board of Directors as well as the attendance record of the various directors with respect to the twelve meetings that took place in 2017

COMPOSITION BOARD OF DIRECTORS

NAME	POSITION	TERM ENDS	OTHER POSITIONS AT LISTED COMPANIE S	ATTENDANCE RECORD (12)
Mr. Philip Ghekiere ^{(1) (2)}	Chairman	2020	/	All meetings
Mr. Joost Bert ⁽²⁾	CEO	2020	/	All meetings
Mr. Eddy Duquenne	CEO	2020	/	All meetings
Ms. Annelies van Zutphen, permanent representative of Van Zutphen Consulting bv	Independent Director	2019	/	11 meetings
Ms. Adrienne Axler	Independent Director	2018	/	9 meetings
Mr. Geert Vanderstappen, permanent representative of Pallanza Invest bvba	Independent Director	2018	Smartphoto group nv: Director	10 meetings
Mr. Ignace Van Doorselaere, permanent representative of ebvba 4F (director since 9 May 2017)	Independent Director	2019	/	5 meetings
Ms. Marion Debruyne, permanent representative of Marion Debruyne bvba	Director	2019	Ackermans & Van Haaren nv : Director	9 meetings
Mr. Rafael Decaluwe, permanent representative of Gobes Comm. V.	Director	2019	Jensen Group nv: Chairman	9 meetings
Mandate ended in 2017: Mr. Jo Van Biesbroeck, permanent representative of JoVB bvba (director until 9 May 2017)	Independent Director	2017	Telenet nv: Director	3 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 revenues and financial results together with the forecasts;
- Evolution of the customer and personnel satisfaction index;
- Evolution of ongoing cinema and real estate projects;
- Discussion and decision on new cinema and property opportunities;
- Integration of the new complexes;
- 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;
- Evaluation and approval of expansion projects;
- Determination of the short-term and long-term strategy;
- Current and non-current financing;
- Reports of the Nomination and Remuneration Committee and the Audit Committee;
- Evaluation and establishment of the quantitative and qualitative management targets for the Executive Management;
- Assessment of the functioning of the Board of Directors and its committees;
- The primary risks to which the Company can be exposed to and the measures to control them.

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

At least nine meetings are scheduled in 2018. Additional meetings may be held if needed.

Composition and activity report of the Nomination and Remuneration Committee

In accordance with the possibility provided in the Corporate Governance Code, Kinopolis Group nv 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);
- ebvba 4F (1), whose permanent representative is Mr. Ignace Van Doorselaere, CEO of Neuhaus;
- Ms. Adrienne Axler (1), CEO of the DACH region at Sodexo;

Gobes Comm. V., whose permanent representative is Mr. Rafaël Decaluwé and JoVB BVBA, whose permanent representative is Mr. Jo Van Biesbroeck, were members of the committee until the annual meeting of 2017.

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

The Nomination and Remuneration Committee met three times in 2017 under its chairman Mr. Ghekiere, and all members attended these meetings, with the exception of the last meeting, which was attended by Messrs. Ghekiere and Van Doorselaere only.

During these meetings, primarily the following topics were discussed:

- Evaluation of the management targets for the Executive Management and establishment of the variable remuneration for the fiscal year 2016;
- The proposal of qualitative and quantitative management targets with regard to the fiscal year 2017 for Executive Management and the corresponding variable remuneration;
- The evaluation and remuneration policy for the Executive Management;
- The evolution in the composition of the Board of Directors and the ensuing process for selecting and nominating candidates;
- The composition of the Nomination and Remuneration Committee and the Audit Committee;
- Preparation of the Remuneration Report.

(1) *Since 30 June 2017*

Composition and activities report of the Audit Committee

Pursuant to Article 526 bis of the Companies Code, the Audit Committee is exclusively composed of non-executive directors of whom the majority are also independent. The Audit Committee as a whole has the appropriate expertise with regard to bookkeeping and audits and was composed as follows:

- Pallanza Invest 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 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;
- ebvba 4F⁽¹⁾, whose permanent representative is Mr. Ignace Van Doorselaere, CEO of Neuhaus.

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 2017 the Audit Committee under its chairman Mr. Geert Vanderstappen, met four times, with all members present (or represented), 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 annual risk management action plan;
- 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;
- Start of the IFRS16 impact analysis;
- Discussion of the Non Audited Services regulations.

(1) Since 30 June 2017

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

As part of the open and transparent way in which the meetings of the Board and its committees are held, its operation and performances are constantly and informally evaluated during the meetings, as is the interaction with the Executive Management, which is communicated in the same transparent way.

The chairman is also responsible for organizing periodical performance assessments by means of comprehensive questionnaires related to:

- The functioning of the Board and its committees;
- The quality of the prepared documents;
- The individual contribution of each director;
- The Interaction with the Executive Management;
- The composition of the Board and its committees.

Diversity

Since the appointment of Ms. Axler at the General Meeting of 11 May 2016, three women are member of the Board, which thus complies with the legal requirement that one third of the members of the Board must be of a different gender than the other members.

In the coming years, the Board will not only focus its diversity policy on gender, skills and age, but also give further attention to the international management experience of its directors, in order to enable the Board to keep a close eye on the social and economic context and structure in the various geographical areas in which Kinopolis Group operates. These diversity goals were included in the selection process applied by the Nomination and Remuneration Committee and the Board of Directors when searching for potential directors and among other things have resulted in three female directors having a seat on the Board of Directors, which is furthermore made up of directors with complementary profiles in terms of skills, knowledge and experience, including international management experience.

7.8. Executive Management

The Executive Management consists of both Chief Executive Officers. The Board of Directors is authorized to appoint additional members of the Executive Management. Given that the daily management is assigned to the Executive Management, which is composed of just two people and that Kinopolis Group has not set up a management committee, no specific diversity policy applies to the persons responsible for the daily management. When appointing the members of the Executive Management, the primary focus is on the required management experience and knowhow to be able to function in the position.

7.9. Insider Trading policy – code of conduct – transactions with related parties

The Dealing Code approved in 2016 and updated in 2017, applies to the members of the Board of Directors, the Chief Executive Officers, persons closely related to the latter, and all other persons who might have inside knowledge. The Protocol is designed to ensure that share trading by the persons in question only occurs strictly in accordance with applicable EU and national rules 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.

With regard to the proceedings brought by 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 their purchase of shares for their account in 2011, the Court of Appeal in Brussels confirmed on 1 March 2017 the administrative sanctions imposed by the Sanctions Committee. The aforementioned persons have notified the Company that their good faith in this matter was not questioned by the Court of Appeal. The Board of Directors confirmed her trust in these persons.

A Code of Conduct has also 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 29 to the Consolidated Financial Statements were conducted in complete transparency with the Board of Directors.

7.10. Remuneration report

Kinopolis Group nv strives to provide transparent information regarding the remuneration of the members of the Board of Directors and the 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 the 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 the 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 an 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, the Executive Management receives variable remuneration dependent on the attainment of the management targets set by the Board of Directors on the recommendation of the Nomination and Remuneration Committee. These 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 the Executive Management. The remuneration package for the 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 granted on the basis of incorrect financial data was not explicitly provided for in such cases;
- The exit compensation of a member of the 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 Nomination and Remuneration Committee 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 the 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 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 annually on the basis of an analysis by the Nomination and Remuneration Committee.

The achievement of the quantitative targets is 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 achievement of business plans in 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.

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 11 May 2016 the General Meeting approved the proposal to base the integral annual variable remuneration of the CEOs for the fiscal years 2017 till 2020 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.

Exceptionally, the General Meeting of 11 May 2016 offered the possibility of granting 45 000 share options under the 2016 Share Option Plan to the Chairman of the Board of Directors, who is a non-executive director but, as the representative of the majority shareholder, is closely involved in implementing the Company's long-term value creation strategy. In fulfilment of the above mentioned decision 45 000 share options were offered to the Chairman in 2016, who has accepted these in 2017.

With the exception of the aforementioned remuneration, 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, of which the total premium amounts to € 22 123, including taxes, and which is paid by the company.

REMUNERATION BOARD OF DIRECTORS

NAME	TITLE	REMUNERATION 2017 (in €)
Mr. Philip Ghekiere ^{(1) (2)}	Chairman of the Board of Directors and of the Nomination and Remuneration Committee	100 000
Mr. Joost Bert ⁽²⁾	CEO	30 000
Mr. Eddy Duquenne	CEO	30 000
Ms. Marion Debruyne, permanent representative of Marion Debruyne bvba	Director	32 500
Ms. Annelies van Zutphen permanent representative of Van Zutphen Consulting bv ⁽³⁾	Independent Director	32 500
Ms. Adrienne Axler	Independent Director	32 500
Mr Geert Vanderstappen, , permanent representative of Pallanza Invest bvba ⁽⁴⁾	Independent Director	48 250
Mr. Ignace Van Doorselaere, permanent representative of ebvba 4F (since 9 May 2017)	Independent Director	36 085
Mr. Rafaël Decaluwé , permanent representative of Gobes Comm. V.	Director	53 500
Mandate ended in 2017:		
Mr Jo Van Biesbroeck, , permanent representative of JoVB bvba	Independent Director	16 833
TOTAL		412 168

(1) Non-executive director

(2) Represent the majority shareholders

Application of the remuneration policy on the members of Executive Management

Principles

The remuneration for the Executive Management is set on the proposal of the Nomination and Remuneration Committee, with due consideration for the benchmark data from external surveys and with regard to the ratio of the fixed to the variable part of the remuneration package and to keep the remuneration in line with the practice at comparable listed companies as well as market rates, bearing in mind the roles, responsibilities, management targets and value creation.

The remuneration for the Executive Management for the fiscal years 2017-2018 was accordingly maintained at the level of previous years in 2017.

In setting the targets for the fiscal year 2017, the Board of Directors again used the current EBITDA parameter to set the quantitative management targets as it seems that this is a relevant measure of the development of value creation within the company. When assessing whether they have been achieved, account is taken of how the current EBITDA of the mature cinema complexes (those that have been part of the Kinopolis Group for more than three years) has changed compared to the targets set by the Board of Directors as well as the evolution of the expansion projects compared to the business plans.

The qualitative targets related to the further growth and development of the company, the further development of the Talent Factory, which identifies the talents of the employees, the expansion of the Innovation Lab in which employees are encouraged to propose and develop innovative ideas, the strengthening of the ICT and Business Intelligence organization and infrastructure, the continued industrialization of certain corporate processes and models and the further optimization of the group structure.

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

These targets will be evaluated at the beginning of the fiscal year 2018 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 2017 the Board of Directors evaluated the targets set for fiscal year 2016 and observed that, with regard to the qualitative targets, the milestones had been achieved or at least concrete progress was made and that, with regard to the quantitative targets, the realized recurrent EBITDA was within the bracket set.

On the recommendation of the Nomination and Remuneration Committee, the Board therefore decided to award variable remuneration linked to qualitative targets and quantitative targets in the amount of € 330 000 to Mr. Duquenne and in the amount of € 181 500 to Mr. Bert. Given the result achieved in the divestment from Utopolis Belgium, it was also decided to award an exceptional bonus in the amount of € 70 000 to Mr. Duquenne.

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 the 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.

Hereafter 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 2017 (excluding VAT). You'll find the description of the long term incentives on the next page.

BVBA EDDY DUQUENNE

Fixed remuneration (1)	€ 538 242
Variable remuneration (2)	€ 330 000
Exceptional bonus	€ 70 000
Expense allowance	€ 9 000
TOTAL	€ 947 242

MR. JOOST BERT

Fixed remuneration (1)	€ 350 120
Variable remuneration (2)	€ 181 500
Pension scheme (3)	€ 10 794
TOTAL	€ 542 414

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

(2) Received in 2017 for performances in 2016

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

Long-term incentives

On 11 May 2016 the General Meeting approved a new Share Option Plan, under which 543 304 options (maturing on 10 May 2024) on existing shares can be offered to the Chairman of the Board of Directors, the 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. Under the aforementioned plan, 45 000 share options were granted to Mr. Ghekiere and 90 000 and 45 000 options were granted to Messrs. Duquenne and Bert respectively

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

Fiscal years 2018-2019

The Company will evaluate the remuneration policy towards the Board of Directors and Executive Management.

7.11. 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 the 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 the 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. With this in mind, Kinopolis Group values integrity and ethical action highly. Alongside the existing legal framework, Kinopolis Group endeavors 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 with 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 internal control activities).

As stated above, it is first and foremost the duty of every manager to properly set up and implement the various internal risk management activities (including monitoring) within the scope of his or her job. In other words, each line manager is responsible for the appropriate and timely identification and evaluation of business risks and the ensuing control measures to be taken and managed. Although the individual line manager has some latitude when applying these rules, 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 the 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.

7.12. Compliance with the Corporate Governance Code

Kinepolis Group 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:

- By way of derogation from Stipulation 7.7. of the Code, after approval by the General meeting of 11 May 2016, in 2016, 45 000 share options under the Share Option Plan were offered to the Chairman of the Board of Directors, who accepted them in 2017. The Board of Directors considers that the allocation of options fits within the framework of this authorization, given that the Chairman, as a representative of the majority shareholder, is closely involved in implementing the Company's long-term value creation strategy.
- 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 11 May 2016, given that these qualifications were already published in several press releases and annual reports.

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

On **16 March 2017**, pursuant to Article 523 of the Companies Code and after the directors in question had left the meeting, deliberations were held and decisions were taken by the Board of Directors about the press release concerning the arrest of the Court of Appeal upholds the case of prior knowledge regarding transaction of shares by the Executive Management and the Chairman of the Board of Directors.

Excerpt from the minutes

Discussion and decision regarding the press release concerning the Arrest of the Court of Appeal upholds the case of prior knowledge regarding transaction of shares by the Executive Management and the President - for approval

Notification in accordance with Article 523 of the Companies Code

Messrs. Philip Ghekiere, Joost Bert and Eddy Duquenne informed the other directors that they have 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 has to take decisions about the communication regarding the decision of the Court of Appeal whereby has been judged that the concerned persons did violate the insider trading regulations.

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

Deliberations and decision

The chairmanship has been further perceived by Marion Debruyne.

The Board of Directors validates, after discussion, the draft of the press release as prepared by the Company, by adding that the Board confirms its trust in its Executive Management and in its Chairman.

There are no patrimonial consequences for the company in the sense of article 523 of the Companies Code

On **20 March 2017**, pursuant to Article 523 of the Companies Code and after the directors in question had left the meeting, deliberations were held and decisions were taken by the Board of Directors regarding the evaluation of the targets of the fiscal year 2016, and the assignment of the resulting variable remuneration, the determination of the targets for the fiscal year 2017 and the determination of the remuneration of the Executive Management for the fiscal years 2017-2018.

Excerpt from the minutes

Approval of the variable remuneration for the fiscal year 2016 - for approval

Notification in accordance with Article 523 of the Companies Code

Messrs. Joost Bert and Eddy Duquenne informed the other directors that they have 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 has to take decisions regarding the variable remuneration for the fiscal year 2016.

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

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 targeted milestones were achieved or at least sufficient concrete progress was made;*
- with regard to the quantitative targets, the realised and normalised Recurrent EBITDA is between the defined range,*

the Board of Directors decides, after thorough discussion and on advice of the Nomination and Remuneration Committee, to pay the variable remuneration linked to the qualitative and quantitative objectives for an amount of EUR 330 000 to Mr. Eddy Duquenne and EUR 181 500 to Mr. Joost Bert.

Given the extraordinary positive result that has been achieved during the committed divestments of Utopolis Belgium, resulting in a significant added value, it is also decided on proposal of the Remuneration Committee, to assign a discretionary bonus of EUR 70 000 to Eddy Duquenne.

The patrimonial consequences for the Company amount to EUR 581 000.

Approval of the 2017 management targets for Executive Management - for approval

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 management targets for the Executive Management for the fiscal year 2017. 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 and Remuneration Committee, the Board of Directors decides, that for the fiscal 2017 the realisation of the **quantitative** targets will be measured using the evolution of the current EBITDA of the concerned year in a perimeter of the mature cinema complexes (those that have been part of the group for more than three years) as well as how the expansion projects have advanced in comparison with the current EBITDA targets.

For the mature cinema complexes those targets will be based on the maximum target bases on the 2016 Actuals. For the expansion projects the targets will be based on the results as foreseen in the underlying business cases. At the evaluation of the achievements, external factors that are not controlled by the management can be taken in consideration.

If the realised recurrent EBITDA of the concerned year 2017 is situated between the established targets, pro rata between the 0 and 100% of the variable remuneration based on the realisation of the quantitative targets, will be paid.

The qualitative targets, related among other things to the long term strategy of the company, the optimization of the ICT and BI organisation and infrastructure, the future industrialisation of specific procedures, the future development of the "Talent Factory" and the optimisation of the group structure, will be evaluated by the realised progress per specific target.

The maximum patrimonial consequences for the company amount to EUR 620 000.

Statement of the remuneration of the Executive Management for the fiscal years 2017-2018 - for approval

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 remuneration for the fiscal year 2017.

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

The Board of Directors decides that the remuneration for the fiscal years 2017-2018 will be unchanged and kept at the level of the fiscal years 2015-2016.

The maximum patrimonial consequences for the company amount to EUR 1 527 085.

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

In the year under review, Kinopolis developed a number of new concepts 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 factors, in order to improve the experience of the customers and protect the profitability of the Group.

For example, in 2017 the 4DX concept was introduced at a number of cinemas and the new Kinopolis app was released in all countries.

Otherwise, Kinopolis continues to invest in optimizing its cash register and sales systems.

10. 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.

11. PROFIT APPROPRIATION

The Board of Directors will propose to the General Meeting of 9 May 2018 application of a pay-out ratio of 50% of net profit, resulting in an amount of € 24 533 472,50.

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:	€ 26 235 413.49
Profit carried forward from previous fiscal year:	€ 37 538 346.09
Withdrawal from equity:	
To the unavailable reserves:	
Profit to be carried forward:	€ 39 240 286.75
Dividends	€ 24 533 472.50

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, 21 March 2017

Joost Bert

Eddy Duquenne