

KINEPOLIS GROUP NV,
Limited liability company
which makes or has made recourse to public offerings
Eeuwfeestlaan 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 2018
to the Ordinary General Meeting of 8 May 2019**

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 2018 to 31 December 2018.

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

Kinepolis Group shareholders' equity stood at € 83 956 390.64 as of 31 December 2018 compared to € 70 818 656.75 at the end of 2017.

This movement is further clarified in 1.2.1.

The balance sheet total of the company is € 473 867 925.15 compared to € 446 519 573.50 in 2017. This movement is further clarified in 1.1. and 1.2. below.

1.1. STATUTORY BALANCE SHEET: COMMENTS ON THE MAIN ASSETS

1.1.1. Intangible fixed assets

Intangible fixed assets rose by € 363 577.07, mainly due to new investments worth € 2 256 914.47 for the further rollout of new software related to the time recording system.

Also the further rollout of the Vista system at the new NH cinemas in the Netherlands and the further software implementation at the existing cinemas had a significant impact on these investments.

In addition, investments were made in Canada as part of the Landmark ICT Integration project.

Depreciation recorded on the investments amounted to € 1 754 489.17 for the year under review.

1.1.2. Property, plant and equipment

Total investments in 2018 amounted to € 2 014 910.28, mainly in ICT hardware used for the further development of the NH cinemas with the rollout of Vista, the DRP analysis (Disaster Recovery Plan) and various other projects, including the GDPR project.

Total disposals amounted to € 18 254 393.17 following the sale of certain asset items, which had already been depreciated for an amount of € 13 906 257.52. Normal depreciations amounted to € 1 852 474.45.

1.1.3. Financial fixed assets

Financial fixed assets increased by € 5 072 745.30 due to a capital increase in Canada in the amount of € 10 625 141.0, the reversal of an impairment loss on Kinapolis Poznan in the amount of € 6 448 000.00 and the capital reduction of KP Immo Brussel nv in the amount of € 12 000 000.00.

1.1.4. Stocks and orders in progress

Stocks decreased by € 88 245.17 in 2018.

1.1.5. Amounts receivable within one year

Amounts receivable within one year increased by € 8 632 229.09, of which € 7 234 547.63 relate to receivables from affiliated companies.

This is mainly due to the takeovers and the Group's growth. Furthermore, a number of asset items were sold to subsidiaries at the end of 2018.

1.1.6. Cash investments

Cash investments rose by € 17 568 004.50 due to the acquisition of own shares.

1.1.7. Accrued charges and deferred income

Accrued charges and deferred income amount to € 1 596 152.99 and consist mainly of refinancing costs to be carried forward.

1.2. STATUTORY BALANCE SHEET: COMMENTS ON THE MAIN LIABILITIES

1.2.1. Capital, share premium account, reserves and profit carried forward

Profit for fiscal 2018 was € 37 860 756.81. Operating profit rose by € 521 523.53.

Reserves increased by € 17 568 004.50 due to a transfer to reserves not available for distribution, following the acquisition of own shares.

1.2.2. Provisions and deferred taxes

The provisions created at the end of the previous year for lawsuits in the amount of € 98 704.45 were reversed.

1.2.3. Amounts payable after more than one year

Long-term debt fell by € 16 361 388.71. This is due on the one hand to the transfer of € 59 122 000.00 from long-term to short-term debt for a bond to be repaid in March 2109 and, on the other hand, to the increase in intercompany debt by € 42 809 215.29.

1.2.4. Amounts payable within one year

Amounts payable within one year amounted to € 95 343 220.84 or an increase of € 30 501 006.24 compared to 2017, mainly as a result of the aforementioned transfer from long-term to short-term debt and the reduction of the commercial paper loan.

Debts to suppliers and debts consisting of unpaid taxes, wages and social charges remained virtually unchanged. Other debts rose by € 1 107 436.66.

This is due on the one hand to a slight increase in the dividend and, on the other hand, to an increase in intercompany debt.

1.2.5. Accrued charges and deferred income

Accrued charges and deferred income increased by € 169 704.68.

1.3. COMMENTS ON THE STATUTORY INCOME STATEMENT

Operating income increased by € 2 850 797.01.

Operating costs rose by € 2 329 273.48 as a result of additional overhead costs incurred for expansion of Kinopolis Group. Finally, operating profit rose by € 521 523.53.

Financial income rose by € 11 519 024,01, mainly due to the reversal of a previously recognised impairment loss for the Kinopolis Poznan company in the amount of € 6 448 000,00 and a dividend payout in the amount of € 5 000 000.00.

Financial costs increased by € 1 378 710.76 due on the one hand to an impairment loss on own shares in the amount of € 2 734 887.86, which is partly offset by lower recurring interest charges, and, on the other hand, by a provision in the amount of € 811 612,20 for implementation of the share option plan.

In 2017, an impairment loss on the participation with KFD was recorded in the amount of € 1 998 897.00, which does not apply for fiscal 2018.

Despite a higher pre-tax profit of € 10 661 836.78, tax costs fell by € 963 506.87. This decline results from the non-taxed dividend, the non-taxed reversal of the impairment loss, the non-taxed impairment loss on own shares, the non-deductible expenses in the amount of € 553 764.10 and the flat-rate taxes on benefits in kind in the amount of € 73 224.24.

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

2.1. FURTHER DEVELOPMENTS WITH REGARD TO EASING THE BEHAVIOURAL CONDITIONS IMPOSED ON THE KINEPOLIS GROUP

In response to the request of Kinopolis Group nv for cancellation of the behavioural measures that were imposed on it in 1997 by the Belgian Competition Council, the Belgian Competition Authority decided on 31 May 2017 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, such as the need to obtain prior approval for the acquisition of existing Belgian cinemas and the prohibition to request exclusivity or priority from film distributors, have been maintained for a renewable period of three years. Two Belgian cinema groups appealed against the decision of the Belgian Competition Authority of 31 May 2017.

After the partial annulment of the decision of the Belgian Competition Authority of 31 May 2017 by the Court of Appeal in Brussels on 28 February 2018, which eased the conditions of conduct imposed on Kinopolis Group, the aforementioned Authority issued a new, well-founded decision on 26 April 2018. The decision confirmed the earlier relaxation of the conditions, whereby the opening of new cinema complexes in Belgium is no longer subject to the prior permission of the Competition Authority, but allows this to take effect from 26 April 2020. An appeal was again lodged against this decision of 26 April 2018.

Subsequently, the Brussels Court of Appeal ruled on 21 November 2018 in the proceedings concerning the decision of the Belgian Competition Authority of 26 April 2018. The Court annulled the decision of 26 April 2018 on the grounds of procedural reasons, judging that the College (BMA) that took the aforementioned decision of 26 April 2018 had to be composed differently from the Board that took the previously annulled decision of 31 May 2017. Kinopolis submitted an updated petition for cancellation of the conditions in 2019, and expects a new decision from the BMA by the end of March 2019.

2.2. BELGIAN EXCESS PROFIT RULING (EPR)

On 11 January 2016, the European Commission published a decision that a purported regime of Belgian tax rulings with regard to 'Excess Profit' should be considered as illegal 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.

The Belgian tax authority has granted such a tax ruling to Kinopolis Group in 2012. As a consequence of the decision of the European Commission, and in accordance with IAS 12, Kinopolis has set up a provision of € 9.4 million in 2015 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 fully covers the potential liability, including interest charges. In June 2016, the Belgian government issued several communications, which provide information on the methodology that should be used to determine the amount of the taxes to be recovered. The € 9.4 million EPR provision complies with the methodology communicated.

Disputed assessments were established for the financial years 2012, 2013 and 2014, and € 6.3 million has been paid. With respect to the fiscal year 2015, an assessment was established in January 2018 for € 3.0 million, which was already paid with the funds consigned in July 2017.

The Belgian government and Kinopolis lodged an appeal against the EPR Decision with the European Court of First Instance. These appeals resulted in a judgement of 14 February 2019, by which the European Court of First Instance annulled the EPR decision. The European Commission can appeal to the European Court of Justice against the aforementioned judgement up to the end of April 2019. This provision is not suspensive. If the European Commission does not appeal, or if an appeal is rejected by the European Court of Justice, the Belgian government must refund all the amounts paid to Kinopolis.

2.3. NEW, LONG-TERM COOPERATION WITH REALD FOR 3D EQUIPMENT

Kinopolis and RealD have announced a new partnership for RealD 3D equipment and 3D eyewear in France, Belgium, the Netherlands, Switzerland, Spain and Luxembourg. The agreement is part of a larger deal that also includes the Canadian Landmark Cinemas. The total engagement for all countries together amounts € 4.0 million.

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)

3.1. 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.

3.2. DESCRIPTION OF THE MAIN BUSINESS RISKS

On an annual basis, the Board of Directors and the Management conduct a risk assessment to gain insight into the main business risks, and this assessment is subsequently analysed and approved by the Board of Directors. As in previous years, this took place again in 2018 on the basis of a written survey of the participants, in order 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 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 (in random order) therefore contains only some of the risks to which Kinopolis is exposed.

AVAILABILITY AND QUALITY OF SUPPLIED CONTENT

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. The Kinopolis Group endeavours to protect itself wherever possible by maintaining good long-term relations with the major distributors or producers, by pursuing a content diversification policy to some extent, and by playing a role as distributor in Belgium. The investments in Tax Shelter projects should also be viewed in this light.

SEASONAL 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 endeavours to mitigate the consequences, among other things, by varying 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 substitutions exist. Kinopolis Group's position is impacted by increasing competition from other leisure activities, such as concerts and sporting events, that can influence the behaviour 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 between the first screening of a movie in the cinema and its availability through other channels that is ordinarily observed by the distributors, as well as the constant technical improvement in the quality of these alternative ways of watching movies. In addition to these legal alternatives, the cinema industry also has to deal with illegal downloads.

Kinepolis is working actively together with distributors to agree measures to counter any increasing illegal sharing of material online. Kinepolis 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 Kinepolis Group is active and that can impact consumer behaviour and the production of new movies can have a negative impact on the operating profits of the Kinepolis Group. Kinepolis endeavours 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 Kinepolis Group (see also 'Political, regulatory and competition risks' below). In addition, 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. The Kinepolis Group will thoroughly examine growth opportunities in advance, to ensure these risks are properly assessed and, where necessary, controlled.

POLITICAL, REGULATORY AND COMPETITION RISKS

The Kinepolis Group strives to operate within the legal framework at all times. However, additional or amended legislation, including tax laws, could restrict Kinepolis' growth and /or operations or result in additional investments or costs. Where possible, Kinepolis Group actively manages these risks by notifying the relevant political, administrative or legal bodies of its positions and defending them in an appropriate way. Belgium's Competition Authority has imposed a number of conditions and restrictions on the Kinepolis 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 run-down of existing complexes.

TECHNOLOGICAL RISKS

Cinema has become a highly computerised and automated sector, in which the correct technological choices and optimal functioning of projection systems, sales systems and other ICT systems are critical in order to be able to offer optimal service to the customer. The Kinepolis Group tries to manage these risks by closely following the latest technological developments, regularly analysing system architecture and, where necessary, optimising 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 improves its policies where necessary. Furthermore, Kinopolis also attaches great importance to the health of its employees and endeavours to create a risk-free work environment that does no harm to anyone. To this end, and in addition to compliance with the legal obligations regarding safety and prevention, it has taken a number of further measures, such as the organisation of preventive examinations by the company doctor, the organization of evacuation exercises, prevention training, etc.

CUSTOMER RISKS

Customer experience is key at Kinopolis Group, which is why Kinopolis places the greatest importance on the management of the risks that could have a negative impact on the customer experience in all aspects of the Kinopolis 'customer journey'. In the first place, Kinopolis is concerned about the physical integrity of its customers, and therefore ensures that the health and safety risks for its customers are reduced to a minimum when they are in the complexes. This includes many aspects, ranging from user-friendly buildings and installations to user-friendly products (e.g. compliance with HCCP standards, noise levels in the cinemas) up to preventing a feeling of insecurity through an adapted surveillance policy. In addition, in line with its best marketer strategy, Kinopolis Group also respects the privacy and data integrity of its customers. Last but not least, Kinopolis tries to respond to any questions or inconveniences as quickly as possible, by offering its clients timely and adequate services so that potential complaints or disputes can be prevented or resolved as quickly as possible. Poor management of the aforementioned risks would lead to a decline in customer satisfaction, damage to its reputation and, ultimately, to a fall in visitor numbers. Furthermore, the likelihood of disputes and/or administrative fines would also increase considerably.

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 minimise 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

Following the annulment by the Marktenhof of the decisions of the Belgian Competition Authority (BMA) of 31 May 2017 and 26 April 2018 for the relaxation of the conditions of conduct imposed on Kinopolis Group in 1997 by the Competition Council, Kinopolis Group nv has submitted an updated request that the aforementioned behavioural conditions should be abolished. A new decision from the BMA is expected at the end of March 2019.

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, and 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 fully covers the potential liability, including interest charges. On 1 July 2016, the 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. 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, and 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.

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

On 31 December 2018, Kinopolis Group held 492 346 own shares with a capital value of € 340 983.58.

Under the authorisation 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, whereby block transactions could take place during the open periods. The aforementioned 360 000 shares were purchased in the period from 15 January 2018 up to and including 12 June 2018, for a total amount of € 20 302 894.16.

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

The Company had no outstanding financial instruments at 31 December 2018.

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

6.1. SUSTAINABLE INVESTMENT IN PEOPLE AND THE ENVIRONMENT

Kinepolis has been attaching the greatest importance to the social, ecological and cultural consequences of its business operations for many years now.

The principles of Corporate Social Responsibility (CSR) have been translated into a sustainability policy that is an important guideline in the daily decision processes and the operation of the company.

6.2. CONTEXT AND METHODOLOGY

In 2017, Kinepolis made the decision to structure its existing CSR approach within the framework of the internationally-recognised ISO 26000 standard ('Guidance on social responsibility'). In accordance with this standard, a relevancy and significance assessment of the various CSR aspects and the related risks that a company faces was carried out at the end of 2018. This evaluation was carried out by the members of the Board of Directors, the senior management and the Belgian Works Council. The relevance and significance for Kinepolis itself and for its various stakeholders (including employees, customers, suppliers, investors and government) were taken into account.

The assessment identified the following three aspects of CSR as being most relevant for the organisation:

- Care of customers
- Care of employees
- Care for the environment

The Kinepolis policy in each of these domains is set out in more detail below. According to the evaluation, the risks associated with the care for customers, employees and the environment are included in the description of the main business risks.

CARE OF CUSTOMERS

Kinepolis strives to offer its customers a positive experience with every contact or visit by clearly informing them, interacting with them and responding to their wishes. In doing so, Kinepolis takes all social groups into account, which is reflected in the film programme and the facilities in its cinemas.

CARE OF EMPLOYEES

Employee well-being is an important part of the Kinepolis sustainability policy. Kinepolis works hard to develop talent and to encourage employees to get the best out of themselves. An involved employee after all creates happy customers and partners. The Kinepolis human capital policy provides various training programmes and career guidance. The annual measurement of employee satisfaction enables Kinepolis to closely monitor this policy and to develop it further.

CARE FOR THE ENVIRONMENT

Via its 'Green Star' programme, Kinopolis is also committed to taking up its environmental care responsibilities. The comfort and convenience of visitors and employees are important factors in all renovation and new-build work on and in Kinopolis premises. At the same time, the company constantly works to reduce its ecological footprint by using innovative low-energy materials and structural applications.

In recent years, technological advancements have also enabled cinemas to significantly reduce the ecological impact of their operations. Examples are the digitisation of projection systems and the upsurge in online and mobile transactions. Kinopolis closely monitors new technologies and initiatives to ensure a fast response to social and ecological trends where appropriate.

KEY PERFORMANCE INDICATORS (KPI)

SUSTAINABILITY PILLARS OF KINEPOLIS	RELATED GUIDELINES ISO 26000	KPI
Customers	<ul style="list-style-type: none"> - Fair marketing, factual and unbiased information and fair contractual practices - Protecting the health and safety of consumers - Consumer service, support and complaint and dispute resolution - Consumer data protection and privacy - Education and awareness 	Customer Satisfaction Index (CSI) Number of completed client surveys per year
Employees	<ul style="list-style-type: none"> - Employment and employment relationships – Conditions of work and social protection - Social dialogue - Health and safety at work - Human development and training in the workplace 	Number of 'budget owners' in relation to the total number of employees
Environment	<ul style="list-style-type: none"> - Prevention of pollution - Sustainable use of resources - Climate Change Mitigation 	Evolution of energy consumption per year Expressed in KWh/m2 Reporting at group level as of 2019
Integrity in business	<ul style="list-style-type: none"> - Human rights - Fair operating practices 	% of employees who have signed the Code of Conduct

INTEGRITY IN BUSINESS

In addition to these three pillars, Kinopolis has a strict policy with regard to corruption and bribery and efforts are made to raise awareness of that policy among employees and management. Integrity is always at the forefront of Kinopolis operations.

Measuring our sustainability performance

In order to measure the effectiveness and efficiency of the policy measures of Kinopolis with regard to sustainability, a Key Performance Indicator (KPI) was determined for each of the above domains. In addition, descriptive performance indicators and examples will be cited throughout this report to illustrate the policy.

Over the coming years, Kinopolis is committed to further developing its sustainability policy and intensifying its efforts in various areas. The potential risks relating to this topic will thereby be assessed again on a regular basis and it will be examined whether adequate policy measures have been provided to limit these risks.

EXPLANATION WITH REGARD TO THE CANADIAN ACTIVITIES OF KINEPOLIS

Kinopolis finalised the acquisition of the Canadian cinema group Landmark Cinemas on 7 December 2017. Given that 2018 was marked by the first phase of integration, Kinopolis has decided to only report on its Canadian activities in this chapter sporadically, if at all.

Kinopolis is committed to implementing as much as possible of its corporate social responsibility policy – as set out in this chapter – in the Canadian organisation in the coming years. The focus will thereby be on the rapid implementation of its human capital policy by means of the introduction of the Kinopolis Academy, the Kinopolis University and the Kinopolis talent management strategy as well as supporting the Canadian cultural identity and diversity as part of its programming strategy.

6.3. OUR CUSTOMER

Customer experience is key at Kinopolis, which is why customer satisfaction and care for customers in all aspects of the Kinopolis 'customer journey' is of the utmost importance. Kinopolis pursues an inclusive policy with attention to all social target groups.

POLICY

Kinopolis strives to offer its customers a positive experience during each visit or contact and as such, increase the chance of a repeat visit and positive word-of-mouth. To do so, Kinopolis focuses on a number of aspects that all contribute to a total experience for the customer:

- An extensive range of films in which everyone can find one that is to his or her liking;
- Modern, comfortable and easily accessible theatres;
- A quality service provision to customers:
 - including film recommendations for and by customers
 - with respect for the protection of customer data.

EVALUATION OF OUR POLICY: CUSTOMER SATISFACTION INDEX (CSI)

The measurement of the efforts of Kinopolis in terms of the customer experience offered is carried out on a continuous basis via the Customer Satisfaction Index (CSI). Kinopolis received 419 047 completed CSI surveys in 2018¹. All visitors who buy a ticket online and leave their e-mail address receive an invitation within 24 hours to tell Kinopolis about their experience.

People who do not buy their tickets online can share their opinions via the CSI form on the Kinopolis website. The questions relate to various aspects of the customer experience: how they liked the film, the quality of the picture and sound, service, tidiness, customer friendliness, waiting times and so on. Customers are also able to make suggestions to Kinopolis.

The CSI enables Kinopolis to continually collect highly-detailed customer feedback. CSI results are reported and assessed on a daily basis at team, cinema and country level. Kinopolis constantly refines its operational management and film programming on the basis of this customer feedback. Comments about seat comfort, for example, are immediately passed on to the relevant department and the seat in question will be immediately checked and repaired where necessary.

The CSI is also an essential KPI within Kinopolis – alongside the PSI and financial parameters – for assessing the performance of cinema complexes, managers and employees. The response in all countries is more than high enough to give a representative picture of customer satisfaction.

KPI: NUMBER OF COMPLETED CLIENT SURVEYS (CSI) IN 2018¹: 419 047

¹ Excluding Landmark Cinemas Canada

VISITORS' SCORE PER FILM: CUSTOMERS ADVISE CUSTOMERS

The Customer Satisfaction Index also measures the visitor score of each individual film in the Kinopolis programme. This visitor score indicates the extent to which visitors would recommend the film they have just seen to others. The customer score is given due consideration every week when programming films, making it an important indicator of how long a film will run in the cinema. Kinopolis always publishes the visitor score of each film on its website, even if it is negative. As such, customers advise each other about which films to see with Kinopolis as facilitator. The visitor score of a film also plays a role in the recommendations Kinopolis makes to customers. That's because the score is a factor in the Kinopolis 'recommendation engine': a piece of artificial intelligence that tries to identify which films that are currently being screened will appeal to the customer.

CUSTOMER SUPPORT

Kinopolis wants to be as accessible to customers as possible and is committed to responding to questions and comments as quickly as possible. An extensive list of 'frequently asked questions' with answers is posted on the Kinopolis website to ensure that customers are well informed and to encourage self-reliance. The list is regularly updated based on customer contacts. Kinopolis proactively directs online customers to this FAQ section. If they do not find the answer they are looking for, they can use the contact form on the Kinopolis website. The contact form is designed to ensure that the question is immediately forwarded to the right person or cinema. If there are any problems or questions in the cinema, customers can always address the staff. In busy periods, an external call centre is also used to relieve the pressure on the cinemas and minimise waiting times. Customer questions are also answered on social media (Twitter, Facebook) on a daily basis.

PROTECTION OF CUSTOMER DATA

Kinopolis collects data about its customers as part of its relationship-marketing strategy and 'Marketing as a Service' credo. This enables Kinopolis to tailor its operational management to meet the expectations of customers, while the customers receive relevant film and event recommendations based on the data in their personal profile. From 25 May 2018, the use of personal data has been regulated by the European Union's General Data Protection Regulation (GDPR), which is aimed to improve how personal data are protected. The basic principles behind the GDPR have, however, always been followed by Kinopolis when dealing with customer data, i.e.:

- Kinopolis has a data processing policy that is transparent for its customers;
- The primary goal of collecting and processing customer data is to improve the service to customers; Kinopolis takes the data-related rights of its customers very seriously and makes it easy for them to exercise these rights;
- Kinopolis has a strict organisational and technical security policy with regard to its customer data.

Respect for customers and respect for their personal data are inextricably linked and Kinopolis takes both very seriously.

A FILM PROGRAMME FOR EVERYONE

Kinopolis is committed to ensuring that the film programme always appeals to different target groups, including social (ethnic and cultural) minorities. In addition to blockbusters, Kinopolis programmes and promotes many local and ethnic films and has developed its own successful cultural programme, covering opera, ballet, art and theatre on the big screen. Kinopolis always tailors its offering to the audience of a given cinema, taking into account, among other things, demographic factors, regional identity and the cultural offer.

For example, Kinopolis programmes Bollywood blockbusters and Turkish hits in multicultural cities with large Indian and/or Turkish communities. Among other things, Russian and Polish films were started in 2018. Furthermore, films with regional themes and films by (often fledgling) filmmakers with strong regional roots are also given a platform in the relevant regional Kinopolis cinemas.

In Belgium, Kinopolis also invests in the production and promotion of local Flemish films through Kinopolis Film Distribution. Kinopolis indeed believes that supporting and producing local content is essential for the future of the cinema business and the local film culture. Kinopolis is also a partner of local film festivals in various countries.

NOISE STANDARDS

Protecting visitors' hearing is something that Kinopolis takes very seriously and the company strictly applies the applicable national noise standards. Among other things, this means that Kinopolis:

- calibrates all its auditoriums every year;
- meticulously checks the sound settings every two weeks;
- checks the maximum sound pressure level of the various programme types (such as the preshows and children's films);
- always adapts the volume to suit the type of programme and the size of the auditorium.

WHEELCHAIR ACCESS

Kinopolis is committed to making as many auditoriums as possible accessible to wheelchair users. More than 90% of all Kinopolis auditoriums are accessible for people with limited mobility and most of them have reserved wheelchair spaces. All recently-opened Kinopolis cinemas are 100% wheelchair accessible. In some cinemas where not all auditoriums are wheelchair accessible due to outdated infrastructure, Kinopolis ensures that films are screened in different auditoriums at different times so that visitors with limited mobility are able to see all the films. Kinopolis always provides clear information about whether auditoriums have wheelchair access, both online and on site.

ACCESSIBILITY FOR PEOPLE WITH A VISUAL OR AUDITORY IMPAIRMENT

In line with the jurisdiction in France, Kinopolis has installed the Twavox system in all its French cinemas, which enables people with a visual or auditory impairment to adjust (increase or even out) the sound to meet their needs using an app on their smartphone and a pair of headphones. People with a visual impairment can also make use of audio description.

Kinopolis launched the 'Whatscine' cinema app in Spain in 2017. The Whatscine app offers users a choice of audio description, subtitles and sign language on their smartphone, perfectly synchronised with the action on the screen enabling everyone with impaired hearing or sight to enjoy the latest films. In this way, Kinopolis promotes the accessibility of cinema for everyone. The app has been available in all Spanish Kinopolis cinemas from 2018.

Kinopolis will evaluate the use of the above- mentioned systems with a view to a possible further roll-out in its European cinemas.

MOBILITY

In order to avoid traffic problems around its multiplexes, Kinopolis encourages the use of alternative transport. Customers are informed as well as possible about the different ways to get to the cinema. Most Kinopolis sites offer covered cycle parking facilities and the site is made accessible and open to public transport where possible. For example, investment in an additional bicycle parking was made in Ghent in 2018.

SOCIAL ENGAGEMENT

INCLUSIVE PROGRAMMING POLICY

Kinopolis is aware of its sociocultural responsibilities and is committed to creating a film programme that reflects the diversity of today's society. Kinopolis' multicultural programming and special screenings for senior citizens are concrete examples of the inclusive programming policy of Kinopolis with attention to all social target groups.

As part of its B2B-activities, Kinopolis has created a schools programme in which attention is given to current topics in the curriculum and films are offered together with an educational dossier. Schools hereby enjoy very attractive prices. Films can be a catalyst for discussion (about subjects such as 'Anti-bullying Week' and 'Safer Internet Day') or to introduce children to another language or culture (such as 'Cinéperles', which provide an introduction into French language and culture).

COMMUNITY INVOLVEMENT

Kinopolis also wants to accept its social responsibilities and increase its social engagement by supporting charities via sponsoring, patronage, by organising or supporting benefit campaigns or by stimulating social employment. Kinopolis supported various projects in 2018, such as the 'Tournée Minérale' (foundation against cancer), the '1 000 km Kom op tegen Kanker', 'Rode Neuzen' and 'Viva for Life' in Belgium, the Red Cross in Spain, 'Stichting Zonnebloem' in the Netherlands and 'Espoir en Tête' in Luxembourg.

COOPERATION WITH 'STICHTING ZONNEBLOEM'

On 3 October 2018, on the occasion of the Week of Accessibility, Kinopolis Netherlands organised a special performance for 3 200 disabled guests and volunteers, in cooperation with Stichting Zonnebloem. The special presentation of the successful Dutch film 'Bankier van het Verzet' (the Resistance Banker) took place in 13 different Kinopolis cinemas at the same time. After the cinema outing, visitors were invited to give feedback on the accessibility of the relevant cinemas for the disabled.

6.4. OUR PEOPLE

More than 3 800 employees work hard every day to give millions of cinema visitors an unforgettable film experience.

Kinepolis is fully conscious of the fact that it is the talent and commitment of its employees that drive its success.

OUR HR POLICY: 'PLUS EST EN NOUS'

The 'Ultimate Movie Experience' begins and ends with the people who make their contribution every day, before or behind the screens. Kinepolis therefore aims for sustainable growth by attracting, nurturing and developing talent. The Human Capital policy of Kinepolis focuses on:

- attracting competent employees with the right attitude, in line with the behavioural values of Kinepolis;
- maintaining and developing committed and motivated talents by creating an optimal working environment, in which:
 - everyone is able to make optimal use of his or her talents;
 - the Kinepolis values are put into daily practice;
 - opportunities for further growth are offered at a personal and/or professional level;
 - every employee is able to contribute to the further development of the company and its products.

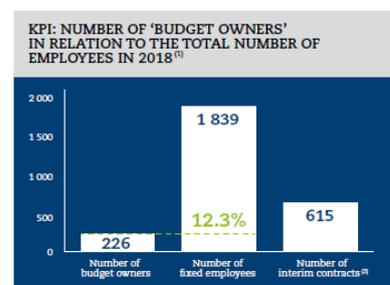
Employee participation and entrepreneurship are stimulated to the maximum and facilitated in two ways:

- Kinepolis wants to be a 'self-learning' organisation, by giving as many people as possible responsibility for departmental targets and budgets and encouraging them to show initiative and learn from each other;
- Employees in all parts of the organisation are encouraged to constantly question accepted wisdom, to actively listen to customers, to think outside the box and to show initiative and enterprise in their job and beyond. In this way, Kinepolis wants to be a 'self-innovating' organisation as well as a self-learning organisation. In this context, the Kinepolis Innovation Lab was set up in 2016.

Kinepolis aspires to get the best out of its employees under the motto 'Plus est en nous' by enabling employees to internalise the self-learning and self-innovating corporate culture and creating a working environment that facilitates the development of talent.

EVALUATION OF OUR POLICY

Kinepolis wants to give as many people as possible responsibility for departmental targets and budgets, in order to let them actively contribute to the continuous improvement of Kinepolis' operations. This bottom-up approach is part of the DNA of Kinepolis and is being illustrated by the share of 'budget owners' in relation to the total number of employees.



KINEPOLIS VALUES

'Client Focus', 'Teamwork', 'Operational Excellence', 'Flexibility' and 'Hands-on' are the behavioural values that every Kinopolis employee works hard to put into practice. Every individual and every team is expected to ensure that the customer is central and that they work together towards a shared goal, doing his or her job properly and efficiently, dealing with change in a flexible way and showing a sense of initiative and entrepreneurship. Kinopolis uses a 'Hire for attitude' policy for new recruitments: the right attitude is more important than the right diploma. Kinopolis is prepared to invest more in the training of new employees as long as the behaviour and attitude of the candidates are in line with the values of the company.

PEOPLE SATISFACTION INDEX

Kinopolis measures employee satisfaction every year by means of a People Satisfaction Index (PSI) survey. Employees are invited to share their experience of Kinopolis as an employer, completely anonymously, indicating what they like and what they feel could be improved. The results are then discussed with the team and actions are worked out in response at the earliest opportunity. Each year's results are processed by the PKZ Institute, an independent HR organisation that is responsible for the anonymity and confidentiality of the survey. In 2018, 82.3% of Kinopolis employees participated in the survey and overall satisfaction remained at the same high level as in the previous year.

The five statements that were given the highest PSI scores in 2018 were:

- 1. I am able to work in a customer-friendly way*
- 2. My manager is available for me*
- 3. There is a good working atmosphere, it is fun at work*
- 4. I am able to work in an efficient manner*
- 5. There is good cooperation within my department*

KINEPOLIS ACADEMY AND KINEPOLIS UNIVERSITY

Training – for every employee – is another important aspect of the Human Capital policy. Among other things, the Kinopolis Academy helps employees improve their personal skills through e-learning. Many training courses are organised on the work floor, with senior employees assuming a coaching role to help new employees during their on-boarding process. There are also personal coaching courses for managers through the Kinopolis University. The 'Insights Discovery' training courses have been organised for teams since 2017 and a Leadership Track programme for senior management was started in 2018.

TALENT FACTORY

By means of the Talent Factory, Kinopolis provides a framework and a tool set for identifying and coaching talent in order to develop its human capital.

Talents within the company are identified with an eye to development and promotion possibilities. Internal mobility after all leads to greater employee engagement and employability. Throughout the year, talent reviews are held with managers to identify and spotlight talent and employee development. Employees are encouraged to shape their own career in open dialogue with their line managers. Kinopolis highlights internal mobility with the aim of motivating and inspiring employees through an internal communication series 'Talent on the Move'.

SELF-LEARNING ORGANISATION

In its daily operational management, Kinopolis creates and encourages learning networks through its 'operating reviews', among other things. Employees in similar functions but from different cinemas, thereby engage in conversations in order to gain new insights and to learn from each other. In this way, Kinopolis invests in a work environment that revolves around feedback and entrepreneurship.

TALENT ON THE MOVE

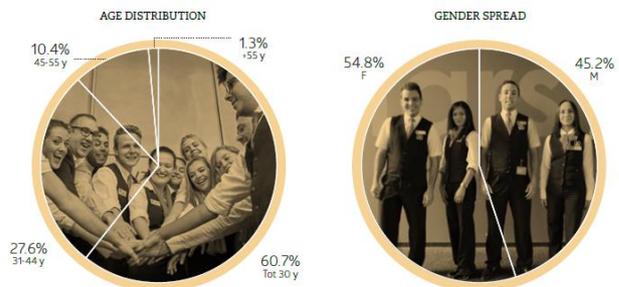
Suzy Horemans, formerly the Theatre Manager of Kinopolis Antwerp (BE), Kinopolis Enschede and Kinopolis Jaarbeurs (NL) consecutively, made the switch to Landmark Cinemas Canada on 1 September 2018. With her extensive Kinopolis experience, she completes the Canadian management team as Liaison/Operations Support Manager. In her new role, Suzy supervises the integration of Landmark Cinemas, a fine example of how a personal development trajectory is in line with the growth and further development of the organisation.

SELF-INNOVATING ORGANISATION

With the introduction of the Kinopolis Innovation Lab (see p. 26), which encourages employees to submit innovative ideas and then work them out together with a project team, Kinopolis aims to be both a self-learning and a self-innovating organisation.

EMPLOYEE HEALTH AND SAFETY

Kinopolis has always been committed to ensuring a safe working environment and takes appropriate measures to ensure that all activities such as replacing projector lamps and maintenance work on technical installations and screens, are carried out safely as possible. In addition, Kinopolis runs an annual staff flu vaccination programme. The head office in Ghent is currently being renovated with a view to further optimising the working environment for the growing organisation.



KINEPOLIS AS THE FIRST WORK EXPERIENCE FOR STUDENTS

Kinopolis employed 1 175 students in Belgium in 2018. These students commit themselves to work in the cinema on at least one weekday and one weekend day per week. The duties vary: from working at the cash desk or in the shop, to cleaning or coordinating events. Kinopolis thereby provides hundreds of young people with a first work experience and guides them in acquiring many professional skills such as working in a team and bearing responsibility. Many of them stay with Kinopolis for years and there are numerous examples of students who have signed a permanent contract and have a rewarding career at Kinopolis.

MASOUDY ANISSA, STUDENT AT KINEPOLIS ANTWERP:

"It's a job with lots of variety and the atmosphere on the work floor is always good and pleasant. You work in a team and everyone helps everyone where necessary."

MEHIC SEJL, STUDENT AT KINEPOLIS ANTWERP:

"The cooperation within Kinopolis always works well. You get to know many great colleagues and you never have the feeling that you're on your own. There are also nice friendships and working is pleasant because there is a lot of variation. The big advantage is that we can choose our days off ourselves and the communication runs smoothly. If a problem arises, it is resolved very quickly."

CONSTRUCTIVE DIALOGUE WITH SOCIAL PARTNERS

Based on the governance framework, Kinopolis works on a social dialogue and a long-term relationship with its employees and/or involved external employee organisations in all countries. In consultation with the social partners, Kinopolis wants to find the best solution(s) for both employees and the company in the field of social dialogue, social relations and safety, with due consideration for the legal obligations. An example of this is the flexible remuneration system developed for Belgian employees in response to the index-linked rise in 2017.

DIVERSITY

Kinopolis has respect for the individuality of each of its employees and is committed to giving everyone equal opportunities. Kinopolis endeavours to mirror the diversity of society in its workforce, with regard to age, gender, origin and so on.

6.5. CARE FOR THE ENVIRONMENT

GREEN STAR POLICY

Kinopolis seeks to limit its environmental footprint as far as possible by means of its 'Green Star' policy (introduced in 2011) that is based on the following principles:

- Sustainable design and execution of new construction projects;
- Sustainable renovation of existing cinemas;
- The application of water and energy-saving techniques;
- Sustainable cinema technology;
- Promoting mobile ticketing and aiming for a ticketless customer journey;
- Limiting waste and raising awareness about waste sorting.

The main objective of the above-mentioned policies is to systematically optimise or at least maintain the level of energy consumption. Kinopolis will use the evolution of energy consumption within the Group (expressed in kWh/m²) as Key Performance Indicator. Reporting at group level based on comparable data is foreseen as of 2019.

SUSTAINABLE REAL ESTATE

In addition to the comfort of visitors and employees, the green parameters are also central concerns for both the design of new complexes and the renovation of existing ones. Kinopolis endeavours to minimize its ecological footprint through its choice of energy sources and building materials and by using spaces flexibly. The following Green Star principles are applied for new-build projects:

Use of certified materials and techniques with a limited ecological impact;

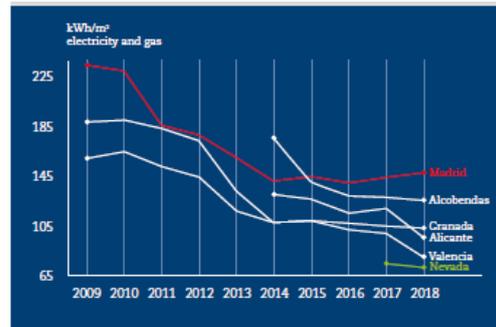
- Adaptation of systems to sustainable sources of energy such as the geothermal heating systems in Utrecht, Dordrecht and 's-Hertogenbosch;
- Where possible, cinema complexes are supplied with power from renewable sources by entering into green power contracts);
- Standard choice of LED lighting;
- Simplicity of maintenance, an important factor in the total cost of ownership (building plus operating costs);
- Using multifunctional spaces for various purposes without major alterations;
- Efficient wall and roof insulation;
- Pursuing a sustainability certificate for new-build projects (such as GPR in the Netherlands);
- Installing water-saving technology in toilets.

EVOLUTION ENERGY CONSUMPTION (SPAIN)

Kinepolis Nevada (recently opened) consumes about half of the energy compared to the older Kinepolis complex in Madrid

Renovations are often the ideal opportunity for implementing additional measures such as:

- Installing additional insulation during roofing work;
- Insulating the parking spaces under the theatres;
- Using water-permeable asphalt when renovating parking lots in order to take advantage of the absorption capacity of the soil;
- Installing rain drains to catch surface water;
- Installing new central control systems for heating and refrigeration (such as BaOpt and Optivolt);
- Replacing existing floors in our shops with Gerfloor, 100% recyclable PVC flooring that does not contain any formaldehyde;
- Installing water-saving technology in toilets.



GPR CERTIFICATION FOR NEW CINEMAS

Kinepolis works towards GPR certification for all new-build projects in the Netherlands. GPR provides insight into the sustainability of real estate, based on five criteria: Energy, Environment, Health, Quality of Use and Future Value. Each aspect is graded from 1 to 10 and the CO2 emission is measured. Kinepolis Dordrecht (opened in 2016) and Kinepolis 's-Hertogenbosch (opened in 2018) presented an excellent report in all areas and received the GPR certification. Kinepolis will continue to pursue the GPR certification for future new projects in the Netherlands.

SOLAR PANELS FOR KINEPOLIS 'S-HERTOGENBOSCH

Kinepolis 's-Hertogenbosch is the first Kinepolis cinema to have a photovoltaic system. The installation was put into use in early 2019 and will lead to an estimated energy saving of 20 to 25% for the cinema complex.

APPLICATION OF ADVANCED ENERGY-SAVING TECHNIQUES

Kinepolis has been able to reduce power consumption year after year due to the intensive monitoring and adjustment of its technical systems. Kinepolis systematically measures and assesses power consumption at its cinemas and where possible, takes steps to continue to reduce consumption. The air conditioning system at Kinepolis Dordrecht is equipped with the innovative BaOPT system. This is a revolutionary technology that creates a much more natural and pleasant interior atmosphere while delivering a significant reduction in energy consumption. A similar installation was installed in 's-Hertogenbosch in 2018.

Kinepolis has been deploying Optivolt energy-saving systems (see box) in Belgium and the Netherlands from the beginning of 2017.

The installation of similar systems was also started in Spain in 2018, working together with another supplier.

Kinepolis continues to look for ways to reduce its power consumption. For instance, where possible, the heat generated by projectors based on xenon lamps is used to heat the foyers. Another example is the conversion from open to closed popcorn warmers. Closed popcorn warmers consume between 30% and 60% less power than open ones. In the course of 2017 and 2018, Kinepolis replaced dozens of popcorn warmers. A further roll-out is planned in 2019.

OPTIVOLT

Kinepolis first used the Optivolt systems to reduce power consumption at Kinepolis Antwerp in January 2017, by eliminating inefficient consumption. After a positive evaluation, almost all Belgian and various Dutch Kinepolis cinemas were equipped with, among others, Optivolt V-Liners® and Multiliners in 2017 and 2018. Optivolt works with engineers to ensure that control systems in existing buildings work as efficiently as possible and neutralise the peaks in power consumption. A significant reduction in power consumption can be achieved by making sure the systems work efficiently with special attention to the interactions between them. Peak capacities, for example have been reduced by around 20%.

SAVING WATER

Kinepolis is also concerned about its water consumption and is implementing various measures to reduce and prevent waste. Ipee technology was installed in the toilets at several cinema complexes, for instance.

These are smart sensors that optimise flushing after every use to ensure maximum hygiene without wasting water. In recent years, Kinepolis has also replaced the traditional washbasins in most complexes with automatic, water-efficient taps based on optical detection.

SUSTAINABLE TECHNOLOGY

LASER PROJECTION

An important step in the sustainability policy of Kinepolis was the digitisation of the projection systems. This technological evolution has made the chemical production of film celluloid and the transport of voluminous film rolls redundant. Projection technology has taken a step further in the meantime and Kinepolis has completely chosen laser projection. In June 2018, the cinema group signed an agreement with Cinionic, Barco's cinema joint venture, to equip approx. 300 screens with Barco laser projection by 2021.

This includes both installations in new cinemas that are to be built and replacements of older models in existing sites.

Laser projectors ensure sublime image quality while also using 30 to 40% less energy than xenon lamp projectors. The absence of lamps also reduces the need for cooling and of course, lamp replacement is a thing of the past.

At the end of 2018, Kinepolis had more than 100 screens with laser projection, providing an energy saving of 44 MWh on an annual basis.

ONLINE AND MOBILE TICKETING

The increasing importance of online and mobile ticket sales also reduces the ecological impact of operations. Years ago, Kinepolis was one of the first cinema operators to introduce numbered and reserved seating, as such stimulating online ticket sales. With mobile ticketing, customers are able to buy tickets on their smartphone or tablet and do not need to print them out to go to the cinema. Moreover, virtually all Belgian cinemas have been operating since last year completely ticketless for people with an online reservation (representing approximately 35% of the total ticket sales). This also means that small tickets will no longer be printed at the tear station, which was previously the case.

WASTE SORTING

Kinepolis has long made efforts to limit waste and to ensure the specialised removal of waste flows. Kinepolis tries to minimise waste wherever possible. One example is the replacement of the automatic hand towel rolls in toilets with electrical drying systems.

When seats are refurbished, cushions are only replaced in the event of wear. Where possible, they are fitted with new upholstery material. Visitors are constantly asked to pre-sort their rubbish. Separate containers at entrances, exits and in the foyer facilitate collection and waste is collected and processed by specialised companies. The principles of waste sorting are repeated regularly in the pre-show (screen announcements ahead of the film).

Realised environmental savings resulting from waste sorting

In 2018, Kinepolis Mega collected 314 tons of waste. Together with Renewi, Kinepolis ensured that several waste streams were pre-sorted and collected separately, such as: Paper/cardboard, PMC, Glass, Foil and other waste streams. Compared to the residual waste, this resulted in the following savings:

30% : Waste sorting

23%: More preservation of resources

14 ton: Avoided CO2

6.6. INTEGRITY IN BUSINESS

KINEPOLIS ANTI-CORRUPTION AND BRIBERY POLICY

Kinepolis pursues a stringent anti-corruption and bribery policy:

- Kinepolis prohibits the offering and/or payment of bribes to State employees (or the acceptance of such);
- Kinepolis prohibits the direct or indirect offering, promising, payment, demanding or acceptance of bribes or other unlawful advantages to obtain or retain contracts or illegal advantages. Neither does Kinepolis wish to be connected in any way with money laundering;
- Kinepolis carries out business exclusively with partners who operate in an honest way and who cannot be associated with fraud in any way.

Kinepolis pursues such a stringent policy, based on the conviction that, aside from the unethical aspect, corruption and bribery will ultimately result in irreversible reputational and economic damage to the company and its stakeholders.

POLICY MEASURES

This policy is explicitly described in the Kinopolis Code of Conduct, which every permanent employee receives when entering employment and is requested to sign. Furthermore, all managers must make a formal declaration every year that they have complied with the stipulations of this code of conduct (including this policy).

In addition, the Kinopolis management is made particularly aware of the anti-corruption and bribery policy in compulsory risk management and control measures training courses. Employees are encouraged to immediately report potential risk situations to their line manager, making use of the formal 'whistle-blower' procedure or not, so that they can be handled appropriately.

Breaches of the Code may lead to sanctions in accordance with the work regulations and/or laws of the country in question.

RESPECT FOR HUMAN RIGHTS

Kinopolis subscribed to the Universal Declaration of Human Rights as adopted by the United Nations and endeavours to comply with it in all aspects of its operational management. These rights are guaranteed by compliance with the laws of the countries in which Kinopolis currently does business and respect for human rights is an important criterion for Kinopolis when searching for and selecting potential partners, suppliers and materials.

Leaving aside the unethical aspect of such conduct, the failure to respect human rights could cause irreparable reputational and economic damage to the company and its stakeholders.

KPI: % of employees who have signed the Code of Conduct (2018) ⁽¹⁾ : 100%
--

(1) ATTACHED TO THE LABOUR CONTRACT AND SIGNED BY EVERY NEW EMPLOYEE.

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, approved a revised version of the Corporate Governance Charter on 8 May 2018. The Charter can be consulted on the Kinopolis Group 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 2018, whereby the goal is to apply the principles resulting from this charter, wherever possible, without affecting the unique character of the company. Where necessary, the necessary explanation of the deviations from the Code is given, in accordance with the 'comply or explain' principle.

The Charter was adapted in 2018 to take account of the fact that Mr Joost Bert has taken over the chairmanship of the Board of Directors and that the day-to-day management of the company is thereby carried out by a single managing director.

7.1. SHARE CAPITAL

The share capital on the 31 December 2018 amounted to € 18 952 288.41, and was represented by 27 365 197 shares without mentioning the nominal value, all of which give the same rights to holders.

On 31 December 2018, Kinopolis Group held 492 346 own shares with a capital value of € 340 983.58.

Under the authorisation 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, whereby block transactions could take place during the open periods. The afore-mentioned 360 000 shares were purchased in the period from 15 January 2018 up to and including 12 June 2018, for a total amount of € 20 302 894.16.

7.2. RIGHTS TO NOMINATE CANDIDATES TO THE BOARD OF DIRECTORS

According to the articles of association, eight directors can be appointed from among the candidates nominated by Kinohold Bis sa, a 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

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.

7.4. CHANGE OF CONTROL

Under the terms of the Credit Agreement concluded on 15 February 2012 between the Kinepolis Group nv and a small number of her subsidiaries on the one hand, and BNP Paribas Fortis Bank nv, KBC Bank nv and ING Belgium nv on the other, 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 Kinepolis Group nv.

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

The General Terms and Conditions of the Prospectus dated 12 May 2015 concerning an Unconditional Public Exchange Offer with regard to the aforementioned bonds also provide that, in the event of a change of control (as defined in the Prospectus), each bondholder will have the right to oblige Kinepolis Group nv to repay all or a part of its bonds, under the conditions set out in the Prospectus. This Prospectus can also be consulted on the Investor Relations website of the Kinepolis Group.

Finally, the General Terms and Conditions dated 16 January 2015 regarding the private placement of bonds with institutional investors to the amount of € 96.0 million, as well as the General Terms and Conditions dated 5 December 2017 regarding the private placement with institutional investors to the amount of € 125 million, hold clauses for the case of a change of control that are identical to those defined in the above-mentioned 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 2018:

- 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 is in turn 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 492 346 or 1.80% own shares;
- Mr Joost Bert, who acts in close consultation with Kinohold Bis sa and together with Pentascoop nv (a company controlled 100% by him) held 492 218 shares or 1.80% of the shares of the Company.

SHAREHOLDERS' STRUCTURE AT 31 DECEMBER 2018

AANDEELHOUDER	NUMBER OF SHARES	%
Kinohold BIS	12 700 050	46.41
Mr. Joost Bert	492 218	1.80
Kinopolis Group nv	492 346	1.80
Free Float, of which:	13 680 583	49.99
- Axa sa	1 367 032	4.996
- BNP Paribas Asset Management sa	1 368 974	5.00
- BlackRock Inc.	1 115 517	4.08
TOTAAL	27 365 197	100%

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 ten members, four of whom can be considered as independent of the majority shareholders and the 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, the Board of Directors was supplemented in 2018 by Ms Marleen Vaesen (bvba Mavac) and Ms Sonja Rottiers (bvba SDL Advice) who, given their complementary profile, expertise and extensive management experience, bringing an added value to the Board of Directors.

The chairmanship of the Board of Directors is held by Pentascoop nv¹, with Mr Joost Bert as its permanent representative, who, after a career of 20 years as CEO of the Company, preferred to continue his role within the company as chairman of the Board of Directors. Given the extensive knowledge and experience of Mr Bert in the national and international cinema sector and the role he has played in the company in recent years, the Board of Directors therefore also appointed Mr Joost Bert as chairman, being of the opinion that he is the appropriate person to assist Mr Duquenne, in his role as CEO, with the necessary support and advice, as well as assisting the Board of Directors in carrying out a high-quality dialogue with the shareholders, including the majority shareholders, and, consequently, to further contribute to sustainable value creation for the company and all its stakeholders.

The Board of Directors also appointed Mr Philip Ghekiere as vice-chairman. In this capacity, he will assist the chairman in fulfilling his mandate and take over his role in the event of unavailability.

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 Counsel, 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 nine meetings that took place in 2018.

¹ Pentascoop nv was co-opted by the Board of Directors on 20 December 2018 following the resignation of Mr Joost Bert.

COMPOSITION OF THE BOARD OF DIRECTORS

NAME	POSITION	TERMS ENDS	OTHER POSITIONS AT LISTED COMPANIES	ATTENDANCE RECORD (9)
Mr Joost Bert, permanent representative of nv Pentascoop ⁽¹⁾ ⁽²⁾	Chairman	2020	/	8 meetings
Mr. Philip Ghekiere ⁽²⁾	Vice-chairman	2020	/	All meetings
Mr. Eddy Duquenne ⁽³⁾	CEO	2020	/	All meetings
Ms Annelies van Zutphen, permanent representative of Van Zutphen Consulting bv	Independent Director	2019	/	8 meetings
Ms Sonja Rottiers, permanent representative of SDL Advice bvba ⁽⁴⁾	Independent Director	2020	Leasinvest Real Estate: Directors	6 meetings
Ms Marleen Vaesen, permanent representative of Mavac bvba ⁽⁴⁾	Independent Director	2020	Van de Velde nv: CEO	6 meetings
Mr Ignace Van Doorselaere, permanent representative of ebvba 4F	Independent Director	2019	/	7 meetings
Ms Marion Debruyne, permanent representative of bvba Marion Debruyne	Director	2019	Ackermans & Van Haaren nv: Director	All meetings
Mr Geert Vanderstappen, permanent representative of bvba Pallanza Invest	Director	2022	Smartphoto group nv: Director	All meetings
Mr Rafaël Decaluwé, permanent representative of Gobes Comm. V.	Director	2019	Jensen Group nv: Chairman	6 meetings
Mandate ended in 2018: Ms Adrienne Axler	Independent director	2018	/	-

(1) Pentascoop nv was co-opted by the Board of Directors on 20 December 2018 following the resignation of Mr Joost Bert.

(2) Representing the major shareholders

(3) Executive director

(4) Director from 9 May 2018

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 the ongoing cinema and real estate projects;
- discussion and decision on new cinema and property opportunities;
- the integration of the new complexes;
- the up-to-date treasury situation and cash flow forecast.

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

- the discussion and establishment of the profit and investment plan for the following fiscal year;
- the evaluation and approval of expansion projects;
- the determination of the short-term and long-term strategy;
- the current and non-current financing;
- the reports of the Nomination and Remuneration Committee and the Audit Committee;
- the evaluation and establishment of the quantitative and qualitative management targets for the Executive Management;
- the primary risks to which the Company can be exposed, and the measures taken 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 2019. 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 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:

- Pentascoop nv, with Mr Joost Bert (Chairman of Kinopolis Group nv) as the permanent representative;
- ebvba 4F, with Mr Ignace Van Doorselaere, the
- CEO of Neuhaus, as the permanent representative;
- SDL Advice bvba (1), with Ms Sonja Rottiers, the current CEO of Lloyd's Brussels and director of Leasinvest Real Estate, as the permanent representative;

Ms Adrienne Axler was a member of the committee until the 2018 annual meeting.

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

1) Since 28 June 2018

The Nomination and Remuneration Committee met twice on 2018 at the invitation of its chairman, whereby all members were in attendance. The following topics were primarily discussed during these meetings:

- the evaluation of the management targets for the Executive Management and establishment of the variable remuneration for the fiscal year 2017;
- the proposal of qualitative and quantitative management targets with regard to the fiscal year 2018 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;
- The 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 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, with permanent representative Mr Geert Vanderstappen, who combines a 5-year experience as a Corporate Officer at Corporate & Investment Banking at Generale Bank with 7 years of operational experience as a financial director at Smartphoto group nv, and who is currently Managing Partner at Pentahold;
- Mavac bvba, with permanent representative Ms Marleen Vaesen (1) who, among other things, has held the position of CEO at Greenyard, and is currently CEO of the Van de Velde group;
- SDL Advice bvba, with permanent representative Ms Sonja Rottiers (1), who after having held the position of CFO and CEO at Dexia Insurance and Axa Belgium, is currently the CEO of Lloyd's Brussels and director of Leasinvest Real Estate.

Gobes Comm. V. and ebvba 4F were members of the Audit committee until 28 June 2018.

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

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

In 2018, the Audit Committee, under the chairmanship of Mr Geert Vanderstappen, met four times in the presence (or via representatives) of all members, and mainly dealt with the following items:

- 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;
- IFRS16 impact analysis;
- discussion of the Non-Audited Services regulations.

EVALUATION OF THE BOARD OF DIRECTORS, ITS COMMITTEES AND ITS INDIVIDUAL DIRECTORS

As part of the open and transparent manner 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 manner.

Furthermore, it is planned to organise a formal periodic performance assessment in early 2019, by means of extensive questionnaires with regard to the following subjects:

- 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 Vaesen and Ms Rottiers the board includes four ladies, being 40% of the Board of Directors, which thereby 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 the Kinopolis Group operates. These above-mentioned 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 the Board of Directors not only having four female directors, but also being made up of directors with complementary profiles in terms of skills, knowledge and experience, including international management experience.

7.8. EXECUTIVE MANAGEMENT

After the withdrawal of Mr Bert as managing director, Mr Duquenne, as CEO, is the only member of the executive management. The Board of Directors is authorised to appoint additional members of the Executive Management. Given the aforementioned composition and the fact that no executive committee has been set up within Kinopolis Group, no specific diversity policy applicable to the persons charged with day-to-day management has been developed, but the focus is generally placed on the required management and business experience, insights, skills and know-how needed to perform the function. The above-mentioned basic principle is applied throughout the organisation, regardless of the nationality, cultural background, age or gender of the employees.

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 Officer, 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. As the Compliance Officer, the Chief Financial Officer is responsible for monitoring compliance with the rules on insider trading, as set out in this Protocol.

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 Notes to the Consolidated Financial Statements were conducted in complete transparency with the Board of Directors.

7.10. REMUNERATION REPORT

The 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:

- The non-executive directors receive a fixed amount for the fulfilment of their duties as a member of the Board of Directors, 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;
- The Chairman and vice-chairman of the Board of Directors and the Chief Executive Officer 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;
- In addition to 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 optimise 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, among other things, will take account of a minimum number of actual meetings of the Board of Directors and its committees.

The aforementioned global allowance is granted as follows:

- € 568 164 as the fixed remuneration for the chairmanship of the Board of Directors;
- € 100 000 as the fixed remuneration for the vice-chairman of the Board of Directors;
- € 30 000 as the fixed remuneration for attendance of the meetings of the Board of Directors by the Chief Executive Officer;
- € 32 500 for the actual attendance of the other directors at six or more meetings of the Board of Directors;
- the remuneration will be reduced proportionately if fewer meetings are attended;
- € 3 000 for attendance of a meeting of the Audit Committee or the Nomination and Remuneration Committee;
- € 3 750 as additional fixed remuneration for the chairman of the Audit Committee.

The Board of Directors determines the remuneration as well as the remuneration policy of 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 are 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, the General Meeting approved, on 11 May 2016, the proposal to base the integral annual variable remuneration of the CEO 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.

The non-executive directors received no other remuneration, benefits, share-based or other incentive bonuses from the Company in the year under review. All members of the Board of Directors, as well as the 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 OF THE BOARD OF DIRECTORS

NAME	TITLE	REMUNERATION 2018 (IN €)
Mr Joost Bert, permanent representative of nv Pentascoop ⁽¹⁾ ⁽²⁾	Chairman	378 776
Mr. Philip Ghekiere ⁽²⁾	Vice-chairman	100 000
Mr. Eddy Duquenne ⁽³⁾	CEO	30 000
Ms Annelies van Zutphen, permanent representative of Van Zutphen Consulting bv	Independent Director	32 500
Ms Sonja Rottiers, permanent representative of SDL Advice bvba ⁽⁴⁾	Independent Director	41 500
Ms Marleen Vaesen, permanent representative of Mavac bvba ⁽⁴⁾	Independent Director	38 500
Mr Ignace Van Doorselaere, permanent representative of ebvba 4F	Independent Director	41 500
Ms Marion Debruyne, permanent representative of bvba Marion Debruyne	Director	32 500
Mr Geert Vanderstappen, permanent representative of bvba Pallanza Invest	Director	48 250
Mr Rafaël Decaluwé, permanent representative of Gobes Comm. V.	Director	38 500
		782 026

(1) The remuneration for the chairmanship since 10 May 2018

(2) Executive director

APPLICATION OF THE REMUNERATION POLICY TO THE 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.

In setting the targets for the fiscal year 2018, 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. The assessment of the realisation takes into account the evolution of the recurring EBITDA versus the targets set by the Board of Directors. If the recurring EBITDA achieved for the relevant 2018 year is thereby within the set targets, a pro rata amount between 0 and 100% of the variable remuneration is linked to the achievement of the quantitative targets. The qualitative objectives are related to the further growth and development of the company, based on an update of the Group's strategy and a refined commercial and marketing strategy for greenfields, as well as to the further integration of Landmark Cinemas Canada and the optimisation of the various management tools. The achievement of the objectives will be evaluated on the basis of the progress made per specific objective.

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 2019 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 2018, the Board of Directors, assisted by the Nomination and Remuneration Committee, evaluated the objectives to be achieved in the 2017 financial year and established that the proposed milestones were achieved, or that sufficient concrete progress had at least been made with regard to the qualitative objectives. With regard to the quantitative objectives, the Board of Directors decided that the objectives realised with regard to ratio improvement on the one hand, and the important contribution to the implementation of the expansion strategy with the acquisitions of Landmark and NH Cinemas on the other, were so important that despite the fact that the recurring EBITDA realised was not fully within the range that had been set, it was nevertheless decided to grant the variable remuneration linked to the qualitative and quantitative objectives and, consequently, an amount of 400 000 euro was paid out to Mr Eddy Duquenne, and 220 000 euro to Mr Joost Bert.

Taking into account the benchmark data resulting from external surveys, as well as from other similar listed companies, and in view of the increased duties and responsibilities of the CEO as a result of the geographic and quantitative expansion of the Group as well as the results on value creation put down by the CEO in recent years, the Board of Directors decided, following advice from the Nomination and Remuneration Committee, to adjust the remuneration package of the bvba Eddy Duquenne, which has not been adjusted since 2015, as follows from 1 January 2018:

- Increase of the fixed remuneration by 175 000 euro
- Increase of the variable remuneration by 85 000 euro

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 the CEO, 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.

Below you'll find 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 2018 (excluding VAT). The description of the long-term incentives can be found in the overview.

BVBA EDDY DUQUENNE

fixed remuneration ⁽¹⁾	€725 242
variable remuneration ⁽²⁾	€ 400 000
expense remuneration	€ 9 000
TOTAL	€ 1 134 242

MR. JOOST BERT

(in his capacity as CEO up to and including 9 May 2018)

fixed remuneration	€ 128.997
variable remuneration ⁽²⁾	€ 220 000
pension plan ⁽³⁾	€ 3 670
TOTAL	€ 352 667

(1) Other than received as a member of the Board of Directors

(2) Received in 2018 for performances in 2017

(3) Mr Joost Bert participates in a supplementary pension scheme providing an annually 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 to thereby bring their interests into line with the long-term 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. In implementation of the aforementioned plan, 45 000 stock options were granted to Mr Ghekiere in 2017 and 90 000 and 45 000 options 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 2019-2020

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

Kinepolis Group uses the Integrated Framework for Enterprise Risk Management as developed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). This framework integrates internal control and risk management processes with the purpose of identifying and managing strategic, operational and reporting risks, as well as compliance and regulatory risks in order to ensure the achievement of the corporate objectives. The Kinepolis Group uses this framework to implement a system of Risk Management, or to control the above risks in the business processes and financial reporting.

The system is developed centrally, and is uniformly applied as far as possible in the various parts of the organisation and its 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

Risk management is not the exclusive responsibility of the Board of Directors and Executive Management within the Kinepolis Group; 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 Kinepolis 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 not only responsible 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 the peace of mind that related risks in the various business processes and departments are being 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 thereby 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, the Kinopolis Group highly values integrity and ethical action. Alongside the existing legal framework, the 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 organisational structure. Kinopolis has a clear and uniform organisational structure, which fits 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 endeavours to standardise the process as much as possible. This is achieved by organising corporate ERM training courses, 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 the Kinopolis Group for business operations in general, and risk management in particular in order 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, analyses 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 will be reviewed on a regular basis by the Internal Audit department with regard to internal rules and best practices. Possible improvements will be discussed with the Management, and result in the implementation of concrete action points that further tighten risk management.

7.12. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

In line with the 'comply or explain' principle, and in addition to the circumstances already described above, the Company decided that it is in the interest of the company and its shareholders to deviate from Provision 4.6. of the Code, and the professional qualifications and functions of the directors to be reappointed were not included in the invitation to the General Meeting of 9 May 2018, as the corresponding qualifications were sufficiently known via press releases and annual reports.

8. CONFLICTS OF INTEREST PURSUANT TO ARTICLE 523 OF THE COMPANIES CODE (ART. 523 COMPANIES CODE)

On **21 March 2018**, decisions were made by the Board of Directors pursuant to Article 523 of the Companies Code with regard to the evaluation of the 2017 management targets for the Executive Management, the allocation of the resulting variable remuneration, the establishment of the management targets for fiscal 2018 and the establishment of the director remunerations for Mr Joost Bert and Mr Philip Ghekiere for fiscal 2018 and subsequent fiscal years.

Extract from the minutes:

Comments on achievement of 2017 management targets for the Executive Committee and approval of variable remuneration over fiscal 2017 – for decision

Notification pursuant to 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 variable remuneration over fiscal 2017.

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

Decision

After clarification by the President of the Nomination and Remuneration Committee and after establishment that:

- with regard to the qualitative targets, the milestones set had been achieved or at least sufficient concrete progress had been made;*
- with regard to the quantitative targets, the financial targets set had not been achieved completely due to visitor figures falling short of the figures estimated in the Profit Plan, but that the ratio improvement targets as specified in the Profit Plan had been achieved and that also in 2017 an important contribution was made to the implementation of the expansion strategy with the takeovers of Landmark and NH Bioscopen;*

the Board of Directors decided, after extensive deliberations and on the advice of the Nomination and Remuneration Committee, to fully pay out the variable remuneration linked to the qualitative targets and quantitative targets in the amount of € 400,000 for Mr Eddy Duquenne and € 220,000 for Mr Joost Bert.

The maximum property consequences for the Company amount to € 620,000.

Approval of 2018 management targets for the Executive Committee – for decision

Notification pursuant to Article 523 of the Companies Code

Mr Eddy Duquenne informed the other directors that he 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 objectives for fiscal 2018.

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

Decision

After extensive clarification by the Chairman of the Nomination and Remuneration Committee, the Board of Directors decided that for fiscal 2018 the achievement of the **quantitative** targets will be measured using the evolution of the current EBITDA of the relevant year as compared to the current EBITDA targets set by the Board of Directors. The basic target to be achieved are the 2017 current EBITDA actuals increased by the (Ebitda) result of Landmark annualised for a full year (and corrected with the variable remuneration for the Executive Management and the CFO) and the ultimate target are the current EBITDA results from the 2018 profit plan approved by the Board of Directors in 2017, corrected with the budgeted variable remuneration for the Executive Management and the CFO.

If the current EBITDA achieved for the relevant 2018 year falls within the targets set, a pro rata amount between 0 and 100% of the variable remuneration is linked to the achievement of the quantitative targets.

The Board of Directors decided that the **qualitative** targets, as set out by the Chairman, consist of analyses and actions related to the further integration of Landmark Cinemas Canada, to the commercial and marketing strategy for greenfields, to the further expansion of the group, to the updating of the strategy of the group, and to the optimisation of the various management tools. Their achievement will be evaluated on the basis of the progress made per specific objective.

The maximum property consequences for the Company amount to € 400,000.

Change of position Joost Bert appointed as Chairman of the Board of Directors

Notification pursuant to Article 523 of the Companies Code

Messrs. Joost Bert and Philip Ghekiere 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 appointment of Mr Bert as Chairman and Mr Ghekiere as Vice Chairman of the Board of Directors, as well as on the related remunerations.

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

Decision

The Board of Directors takes note of the request by Mr Bert to be appointed as Chairman of the Board of Directors. Mr Bert has, in fact, announced that after a 20-year period as co-CEO of the company, he would like, as representative of the reference shareholders, to continue his role as Chairman of the Board of Directors and therefore wants to entrust the role of CEO to Mr Duquenne.

After deliberation, the Board of Directors decides to appoint Mr Joost Bert as Chairman and Mr Ghekiere as Vice Chairman of the Board of Directors as of 9 May 2018.

Mr Bert will also assume the role of President of the NRC.

The Board further decides to align the Chairman's remuneration with the remuneration he received as managing director and therefore to set it at a fixed amount of € 568,164, as well as to set the Vice Chairman's remuneration at €100,000.

The maximum property consequences for the Company amount to € 668,164.

On **20 December 2018**, decisions were made by the Board of Directors pursuant to Article 523 of the Companies Code with regards to the establishment of the remuneration of Mr Eddy Duquenne.

Extract from the minutes:

Notification pursuant to Article 523 of the Companies Code

Mr Eddy Duquenne informed the other directors that he 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 adjustment of the remuneration of the BVBA Eddy Duquenne, with as permanent representative Mr Eddy Duquenne, CEO.

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

Decision

Taking into account the benchmark data resulting from external surveys, as well as from other similar listed companies, and in view of the increased duties and responsibilities of the CEO as a result of the geographic and quantitative expansion of the group as well as the results on value creation put down by the CEO in recent years, the Board of Directors decided, following advice from the Nomination and Remuneration Committee, to adjust the remuneration package of the BVBA Eddy Duquenne, which has not been adjusted since 2015, as follows from 1 January 2018:

- Increase of the fixed remuneration by: € 175,000
- Increase of the variable remuneration by: € 85,000

The maximum property consequences for the Company amount to € 260,000.

9. RESEARCH AND DEVELOPMENT (ART. 96,4° W.VENN.)

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, and to being 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.

In 2018, Kinopolis continued to invest in the innovation of its shop infrastructure and interior concepts.

10. APPLICATION OF VALUATION RULES (ART. 96, 6° COMPANIES CODE) (ART. 96,6° W.VENN.)

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

11. PROFIT APPROPRIATION

In its proposal to the General Shareholders' Meeting concerning the appropriation of profit and payment of dividend, various factors were taken into consideration by the Board of Directors, including the Company's financial situation, the operating profits, the current and expected cash flows and the expansion plans.

It is proposed to pay out a gross amount of € 0.92 per share for the financial year 2018. Subject to the approval of the General Meeting, the Board of Directors decided to make the dividend available to shareholders on 14 May 2019 (ex-date: 10 May 2019; record date: 13 May 2019) at a financial institute chosen by the shareholder.

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:	€ 37 860 756,81
Profit carried forward from previous fiscal year:	€ <u>39 240 286,75</u>
	€ 77 101 043,56
Withdrawal to the unavailable reserves:	€ 17 568 004,50
Profit to be carried forward:	€ 34 810 016,14
Dividends	€ 24 723 022,92

Mr. Eddy Duquenne, CEO, declares that to the best of his 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,
19 March 2019

Eddy Duquenne
CEO

Joost Bert
Chairman