

Cinema City International N.V.
Condensed Consolidated Financial Report
for the quarter ended
31 March 2008

Condensed Consolidated Financial Report for the quarter ended 31 March 2008

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Directors' report

DIRECTORS' REPORT

General

Introduction

Cinema City International N.V. (the "Company"), incorporated in the Netherlands, is a subsidiary of I.T. International Theatres Ltd. ("ITIT" or "parent company"). The Company (and together with its subsidiaries, the "Group"), is principally engaged in the operation of entertainment activities in various countries including: Poland, Hungary, Czech Republic, Romania, Bulgaria and Israel. The Company, through related entities, has been a family operated theatre business since 1929. The Company shares are traded on the Warsaw Stock Exchange. As of mid May 2008, the market share price was PLN 27 (EUR 7.9) giving the Company a market capitalization of EUR 402 million. The Company's office is located in Rotterdam, the Netherlands.

Highlights during the first quarter of 2008

The Company turned in a strong performance for the three months ended 31 March 2008, with revenues, EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortization) and net income all having increased in comparison to the first quarter of prior year (which itself was also a strong quarter). Consolidated EBITDA increased from EUR 8.2 million for the first quarter of 2007 to EUR 9.4 million for the first quarter of 2008. Net income increased from EUR 3.8 million for the first quarter of 2007 to EUR 4.0 million for the first quarter of 2008.

The Company's theatre operations performed strongly during the first quarter of 2008 supported by a relatively well received supply of international movies. In particular, as has been the case for the last few quarters, the Company's Polish operations performed well, supported by a strong local supply of movies. The new screens which the Company opened during 2007, including the first two multiplexes that opened in Romania toward the end of 2007, had their first full quarter of operations in 2008, which - together with the addition of 23 screens in Budapest that opened in January 2008 - added to the increase of the positive results of the Company's theatre operations, both in terms of number of admissions and EBITDA.

As in the first quarter of 2007, the Company's real estate activities during the first quarter of 2008 did not materially contribute to the Company's financial results. In Bulgaria, the Company continues to supervise the construction of the Mall of Plovdiv, developed by a Bulgarian company in which 15% of the shares are held by the Company (after selling 15% in 2007). The construction of the mall is progressing according to schedule, with an expected opening date during the first half of 2009. Also in Bulgaria, the Company continues to supervise initial stages of the development of the Mall of Russe, in which 45% of the shares are held by the Company. Preleasing activities of the Russe mall are progressing well, with the main stage of construction expected to begin this summer. In March 2008, the Company signed an agreement to purchase, 27.5% of the equity in a Bulgarian company that owns property in Stara Zagora, a town located in central Bulgaria with approximately 150,000 inhabitants. additional 27.5% will be purchased by the company real estate partner in Bulgaria Ocif LTD. The plan is to develop on this land a fourth modern shopping mall in Bulgaria with a Cinema multiplex. This transaction is still subject to a number of closing conditions, which are expected to be concluded before the middle of this year.

Directors' report

Highlights of the Company's theatre operations for the three months ended 31 March 2008 are as follows:

In January, the Company opened the largest Central European megaplex and IMAX[®], a 23-screen 3,800 seat state-of-the-art flagship theatre, in Budapest, Hungary, which solidifies the Company's position as one of the two key cinema operators in the Hungarian market. This theatre significantly enhances the Company's presence in the key Budapest market. It also unveils the only IMAX[®] theatre in Hungary.

In March, the Company opened a 10-screen multiplex site in Pilzen in the Czech Republic.

In March, the Company closed its 8-screen multiplex in the Arena mall in Herzelia, Israel. Unlike previous closures, Arena was not closed for obsolescence, but rather because the mall owner was interested in using the multiplex space for other purposes and offered the Company compensation in return for an early termination of the lease. As the Company owns a second multiplex in the same city, it accepted the mall owner's offer. The compensation was included in Revenues from Theatre Operations, and therefore contributed to the results of the quarter. (On a similar way, 2007 first quarter Revenues from Theatre Operations included compensation for the termination of the lease agreements in two Polish theatres that were under dispute).

The Company's total screen count at the end of the first quarter of 2008 following the above openings (and closings) is 536 (including 8 IMAX[®] theatres).

After the end of the quarter, in April 2008, the Company opened a 13 screen multiplex in Bydgoszcz, Poland.

Directors' report**Financial information**

The Condensed unaudited Consolidated Financial Statements for the 3 months ended 31 March 2008 have been prepared by management under International Financial Reporting Standards ("IFRS") as adopted by the European Union, adopting the same accounting principles as used in the 2007 Annual Accounts.

Overview of results

The Company's net income for the first quarter of 2008 was EUR 4,036,000 and can be summarized as follows:

	For the 3 months ended 31 March	
	2008	2007
	EUR	
	(thousands, except per share data)	
Revenues	44,893	38,189
Operating costs, excluding depreciation and amortisation	33,041	27,861
Gross result	11,852	10,328
General and administrative expenses	2,441	2,124
EBITDA *	9,411	8,204
Depreciation and amortisation	4,838	3,467
Operating profit	4,573	4,737
Financial income	965	661
Financial expenses	(1,550)	(1,622)
Gain and loss on disposals and write-off of other investments	3	27
Net income before taxation	3,991	3,803
Income taxes	303	137
Net income before minority interests	3,688	3,666
Minority interests	348	159
Net income attributable to equity holders of the parent company	4,036	3,825
Weighted average number of equivalent shares (basic)	50,834,000	50,724,000
Weighted average number of equivalent shares (diluted)	50,974,398	50,920,901
Net earnings per ordinary share (basic and diluted of EUR 0.01 each)	0.08	0.08

* Earnings Before Interest, Taxation, Depreciation and Amortisation. Under this definition, gains and losses on disposals and write-off of other assets as well as currency exchange results are also not included in EBITDA

Directors' report

Revenues

Total revenues increased by 17.5% from EUR 38.2 million during the quarter ended 31 March 2007 to EUR 44.9 million during the quarter ended 31 March 2008.

Theatre operating revenues increased by 20.4% from EUR 31.4 million during the quarter ended 31 March 2007 to EUR 37.8 million during the quarter ended 31 March 2008. The increase in theatre revenues was mainly as a result of an increase in number of admissions because of strong supply of movies especially in Poland, and as result of the contribution of new cinemas opened in 2007 and in the first quarter of 2008.

Distribution operating revenues increased by 3.6% from EUR 5.5 million during the quarter ended 31 March 2007 to EUR 5.7 million during the quarter ended 31 March 2008. The increase was mainly due to first time contribution of Forum Home Entertainment Czech, a new subsidiary which is distributing DVDs in the Czech Republic and started its activities only in July 2007.

Video operating revenues remained at a similar level and amounted to EUR 0.9 million both during the quarter ended 31 March 2007 and the quarter ended 31 March 2008.

Other revenues remained at similar level and amounted to EUR 0.4 and EUR 0.5 million during the quarter ended 31 March 2007 and the quarter ended 31 March 2008 respectively.

Directors' report

Operating Costs

Operating costs, excluding depreciation and amortization, increased by 18.3% from EUR 27.9 million during the quarter ended 31 March 2007 to EUR 33.0 million during the quarter ended 31 March 2008. This net increase resulted primarily from the total effects of:

- an increase in theatre operating expenses primarily explained by the increase in theatre revenues as described above. Theatre operating expenses, excluding depreciation and amortization, as a percentage of total theatre revenue increased to 70.5% for the quarter ended 31 March 2008, from 69.6% for the quarter ended 31 March 2007;
- an increase in distribution operating expenses as a result of the increase in revenues as described above. Distribution operating expenses, excluding depreciation and amortization, as a percentage of total distribution revenue increased to 97.0% for the the quarter ended 31 March 2008, from 94.1% for the the quarter ended 31 March 2007.

General and administrative expenses

General and administrative expenses increased by 14.3% from EUR 2.1 million for the quarter ended 31 March 2007 to EUR 2.4 million during the quarter ended 31 March 2008. The increase in the general and administrative expenses was mainly as a result of the increase in the size of the operation in Poland, the commencements of theater activities in Romania and DVD distribution activities in the Czech Republic. The strengthening of the local currencies against the EUR also contributed to the increase above.

General and administrative expenses as a percentage of total revenue decreased to 5.4 % for the the quarter ended 31 March 2008, from 5.6% for the quarter ended 31 March 2007.

Directors' report

EBITDA

As a result of the factors described above, the earnings before interest tax depreciation and amortisation (EBITDA) increased by 14.6% from EUR 8.2 million for the quarter ended 31 March 2007 to EUR 9.4 million for the quarter ended 31 March 2008.

Depreciation and amortisation

Depreciation and amortisation expenses increased by 37.1 % from EUR 3.5 million for the quarter ended 31 March 2007 to EUR 4.8 million for the quarter ended 31 March 2008. This is due to the commencement of operation of the Company's new multiplex screens added during 2007 and 2008 and due to the depreciation of the fixed assets related to the closing of the Arena Multiplex in Israel during the first quarter ended 31 March 2008.

Operating profit

As a result of the factors described above, the operating profit decreased by 2.1% from EUR 4.7 million during the quarter ended 31 March 2007 to EUR 4.6 million during the quarter ended 31 March 2008

Financial income/expenses

The balance of financial income and expenses resulted in a net expense of EUR 585 thousand during the quarter ended 31 March 2008 compared to a net expense of EUR 961 thousand during the quarter ended 31 March 2007. Net financial results were positively influenced by the inflow of capital following the Company's IPO, which was used, in part, to repay outstanding debt and which also generated interest income. In addition, there was an increase in interest income generated from short term loans to unconsolidated subsidiaries.

Minority interest

Minority interests for the quarters ended 31 March 2008 and 31 March 2007 comprised the share of minority shareholders in losses from subsidiaries that are not 100% owned by the Company (EUR 0.3 million and EUR 0.2 million respectively).

Net income

As a result of the factors described above, the Company realized a net income of EUR 4.0 million during the quarter ended 31 March 2008 compared to net income of EUR 3.8 million during the quarter ended 31 March 2007.

Directors' report**Selected financial data**

PLN/EUR	Exchange rate of Euro versus the Polish Zloty			
	Average exchange rate	Minimum exchange rate	Maximum exchange rate	Quarter end exchange rate
2008 (1 st quarter)	3.5760	3.5200	3.6580	3.5260
2007 (1 st quarter)	3.8870	3.8695	3.9320	3.8695

Source: National Bank of Poland ("NBP")

Selected financial data

	EUR		PLN	
	(thousands, except per share data)			
	For the quarter ended 31 March			
	2008	2007	2008	2007
Revenues	44,893	38,189	160,537	148,441
Operating profit	4,573	4,737	16,353	18,413
Income before taxation	3,991	3,803	14,272	14,782
Net income attributable to equity holders of the parent company	4,036	3,825	14,433	14,868
Cash flows from operating activities	6,278	6,223	22,450	24,188
Cash flows used in investment activities	(9,020)	(9,482)	(32,256)	(36,857)
Cash flows provided by/(used in) financing activities	4,144	(36,872)	14,819	(143,321)
Increase/(decrease) in cash and cash equivalents	1,402	(40,131)	5,014	(155,989)
Total assets	253,891	223,225	895,220	863,769
Provisions	5,221	7,021	18,409	27,168
Long term liabilities	44,375	41,042	156,466	158,812
Short term liabilities	49,772	47,680	175,496	184,498
Shareholders' equity	162,003	135,559	571,223	524,546
Share capital	508	507	1,791	1,962
Average number of equivalent shares	50,834,000	50,724,000	50,834,000	50,724,000
Average number of equivalent shares (diluted)	50,974,398	50,920,901	50,974,398	50,920,901
Net earnings per ordinary share (basic and diluted)	0.08	0.08	0.29	0.29

Selected financial data were translated from EURO into PLN in the following way:

(i) Balance sheet data were translated using the average exchange rate published by the National Bank of Poland for the last day of the year / period.

(ii) Income Statement and cash flows data were translated using the arithmetical average of average exchange rates published by the National Bank of Poland for the last day of every month within year / period.

Directors' report

Outlook for the remainder of 2008*

During the remainder of 2008 the Company plans to continue its ambitious expansion program, which includes:

- Toward the end of 2008, the Company expects to open a 10 screen multiplex in Zielona Cora, Poland;
- Toward the end of 2008, the Company expects to open an 8 screen multiplex in Pardubice, Czech Republic;
- During the second quarter, the Company plans to open a 6 screen multiplex in Modiin, Israel;
- During the second quarter, the Company plans to open a 23 screen multiplex in Haifa, Israel. This will be the second of the Company's new generation of "Planet" theatres in Israel, and is expected to follow the success of the Company's "Yes" sponsored Planet theatre that opened in Ramat Gan in 2006;
- During 2008, the Company expects to open 6 multiplexes in Romania including 56 screens – in Bacau, Pitesti, Cluj, Braila, Oradea and Tirgu-Mures; Two of which, Cluj and Bacau, are expected to open around the middle of this year, while the other four will be opened toward the end of the year or possibly at the beginning of next year.

Throughout the remainder of 2008, the Company expects to open 103 screens in Romania, Poland, Czech Republic and Israel as described above.

In addition, the Company continues to progress in signing additional lease agreements for future multiplexes in Romania. As at May 2008, the Company has binding commitments for an additional 22 sites (representing approximately 240 screens) throughout Romania, and is in advanced negotiations in respect of a further number of sites. Of the existing commitments, three theatres are in the advanced stages of development in recently opened malls in the cities of Bacau, Pitesti and Cluj, and eight mall projects are under construction.

Upon completion of the projects currently in the pipeline, Romania will become the Company's second largest country in terms of number of screens in operation, exceeded only by Poland. All of the planned Romanian theatres are located in shopping centers and will be leased. As previously noted, the Company continues to find that because the mall opening dates are dependent on the mall developers and there is a continuing tendency in the Romanian market to complete mall construction behind schedule, it remains difficult for the Company to accurately estimate the opening dates of its projects.

*Certain statements contained in this quarterly report are not historical facts but rather statements of future. These forward-looking statements are based on our current plans, expectations and projections about future events. Any forward-looking statements speak only as of the date they are made and are subject to uncertainties, assumptions and risks that may cause the events to differ materially from those anticipated in any forward-looking statement. Such forward-looking statements include, without limitation, improvements in process and operations, new business opportunities, performance against Company's targets, new projects, future markets for the Company's products and other trend projections. For the avoidance of any doubts, this quarterly report does not contain any forecast about the Company's and its capital group's financial results.

Directors' report**Additional information to the report****Major shareholders**

To the best of the Company's knowledge as of the date of publication of this report for the first quarter of 2008, the following shareholders are entitled to exercise over 5% of voting rights at the General Meeting of Shareholders in the Company:

	As of 14 May 2008	Increase/ (decrease)	As of 31 March 2008	Increase/ (decrease)	As of 31 December 2007
	Number of shares/ % of shares	Number of shares	Number of shares/ % of shares	Number of shares	Number of shares/ % of shares
I.T. International Theaters Ltd.,	32,720,091 / 64.37%	-	32,720,091 / 64.37%	119,095	32,600,996 / 64.13%
ING Nationale - Nederlanden Polska Otwarty Fundusz Emerytalny	2,700,000 / 5.31%	-	2,700,000 / 5.31%	-	2,700,000 / 5.31%
BZ WBK AIB Asset Management SA	2 542 345 /5.00%	-	2 542 345 /5.00%	2,542,345	n.a.

Changes in ownership of shares and rights to shares by Management Board members in the first quarter of 2008 and until the date of publication of the report

Changes in ownership of shares and rights to shares by the Management Board members are specified below:

Shares

	As of 14 May 2008	Increase/ (decrease)	As of 31 March 2008	Increase/ (decrease)	As of 31 December 2007
	Number of shares/ % of shares	Number of shares	Number of shares/ % of shares	Number of shares	Number of shares/ % of shares
Moshe Greidinger*	11,572,258 / 22.76%	707	11,571,551 / 22.76%	42,112	11,529,439 / 22.68%
Amos Weltsch	None	-	None	None	none
Israel Greidinger*	11,572,258 / 22.76%	707	11,571,551 / 22.76%	42,112	11,529,439 / 22.368%

*The shares held by Messrs Moshe and Israel Greidinger are held indirectly through I.T. International Theaters Ltd

Rights to shares

The members of the Management Board did not own or receive any rights to shares in the Company during the period 31 December 2007 until 14 May 2008.

Directors' report

Additional information to the report (cont'd)

Changes in ownership of shares and rights to shares by Supervisory Board members in the first quarter of 2008 and until the date of publication of the report

The members of the Supervisory Board did not own any shares and/or rights to shares in the Company during the period 31 December 2007 until 14 May 2008.

Changes in the composition of the Supervisory Board and Management Board

None.

Other

As of 31 March 2008, the Group has issued guarantees for loans that in total amount to EUR 12 million and Polish zloty 115.5 (EUR 32.6) million in connection with loans provided to subsidiaries.

As of 31 March 2008, the Group has no litigations for claims or liabilities that in total exceed 10% of the Group's equity.

The following net movements in the Group's main provisions took place during the first quarter of the financial year 2008:

- a decrease in the provision for deferred tax liabilities of EUR 100,000
- an increase in the provision for accrued employee retirement rights of EUR 8,000
- a decrease in the provision related to onerous lease contracts of EUR 402,000

The Management Board

Moshe J. (Mooky) Greidinger
President of the board
General Director

Amos Weltsch
Management board
Operational Director

Israel Greidinger
Management board
Financial Director

Rotterdam, 14 May 2008

Condensed Consolidated Financial Statements for the quarter ended 31 March 2008
CONDENSED CONSOLIDATED BALANCE SHEET

	31 March 2008 (Unaudited)	31 December 2007 (Audited*)	31 March 2007 (Unaudited)	31 December 2006 (Audited*)
	EUR (thousands)			
ASSETS				
FIXED ASSETS				
Intangible fixed assets	1,069	1,041	803	719
Property and equipment	190,214	183,042	174,357	170,554
Financial fixed assets	727	1,175	836	796
Total fixed assets	192,010	185,258	175,996	172,069
CURRENT ASSETS				
Inventories	4,763	4,380	4,353	3,919
Trade and other receivables	28,776	26,724	24,730	24,553
Securities	18,685	18,516	4,766	3,725
Cash and cash equivalents	9,306	7,817	13,055	53,194
Short term bank deposits - collateralized	351	349	325	-
Total current assets	61,881	57,786	47,229	85,391
TOTAL ASSETS	253,891	243,044	223,225	257,460
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Minority interests	(2,259)	(1,908)	(1,056)	(895)
LONG-TERM LIABILITIES				
Long-term loans, net of current portion	36,725	34,802	31,644	65,739
Provisions	5,221	5,715	7,021	7,495
Other long-term liabilities	2,429	2,537	2,377	2,358
Total long-term liabilities	44,375	43,054	41,042	75,592
CURRENT LIABILITIES				
Short-term bank credit	23,002	18,575	22,811	25,637
Other current liabilities	26,770	27,152	24,869	24,950
Total current liabilities	49,772	45,727	47,680	50,587
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	253,891	243,044	223,225	257,460

*) Extracted from the 2007 Annual Accounts.

Condensed Consolidated Financial Statements for the quarter ended 31 March 2008**CONDENSED CONSOLIDATED INCOME STATEMENT**

	For the 3 months ended 31 March 2008 (Unaudited)	For the 3 months ended 31 March 2007 (Unaudited)
	EUR (thousands, except per share data and number of shares)	
Revenues	44,893	38,189
Operating costs	<u>37,879</u>	<u>31,328</u>
Gross margin	7,014	6,861
General and administrative expenses	<u>2,441</u>	<u>2,124</u>
Operating profit	4,573	4,737
Financial income	965	661
Financial expenses	(1,550)	(1,622)
Gain and loss on disposals and write-off of other investments	<u>3</u>	<u>27</u>
Income before taxation	3,991	3,803
Income taxes	<u>303</u>	<u>137</u>
Net income before minority interests	<u>3,688</u>	<u>3,666</u>
Attributable to:		
Equity holders of the Parent Company	4,036	3,825
Minority interests in loss of consolidated subsidiaries	(348)	(159)
Net income before minority interests	<u>3,688</u>	<u>3,666</u>
Weighted average number of equivalent shares (basic)	<u>50,834,000</u>	<u>50,724,000</u>
Weighted average number of equivalent shares (diluted)	<u>50,974,398</u>	<u>50,920,901</u>
Net earnings per ordinary share (basic and diluted) of EUR 0.01 each	<u>0.08</u>	<u>0.08</u>

Condensed Consolidated Financial Statements for the quarter ended 31 March 2008**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	For the 3 months ended 31 March 2008 (Unaudited)	For the 3 months ended 31 March 2007 (Unaudited)
Balance as of the beginning of the period	156,171	132,176
Net income for the period	4,036	3,825
Share based payment	28	75
Public offering related costs	-	(125)*
Foreign currency translation adjustment	2,633	(392)
Effective portion in fair value of cash flow Hedges	<u>(865)**</u>	-
Balance at the end of the period	<u>162,003</u>	<u>135,559</u>

* represent additional costs directly attributed to the 2006 initial public offering.

** represent changes in fair value adjustment of cash flow hedges related to part of the company future transactions denominated in currencies other than the functional currency (see note 6).

CONDENSED STATEMENT OF RECOGNISED INCOME AND EXPENSES

	For the 3 months ended 31 March 2008 (Unaudited)	For the 3 months ended 31 March 2007 (Unaudited)
Foreign exchange translation differences before minority interest	2,630	(394)
Effective portion in fair value of cash flow Hedges	<u>(865)</u>	-
Net income recognised directly in equity	1,765	(394)
Net income before minority interest	3,688	3,666
Total recognised income and expense for the period	<u>5,453</u>	<u>3,272</u>
Attributable to:		
Equity holders of the Company	5,804	3,433
Minority interests	(351)	(161)
Total recognised income and expense for the period	<u>5,453</u>	<u>3,272</u>

Condensed Consolidated Financial Statements for the quarter ended 31 March 2008

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the 3 months ended 31 March 2008 (Unaudited)	For the 3 months ended 31 March 2007 (Unaudited)
Cash flows from operating activities	6,278	6,223
Cash flows used in investing activities	(9,020)	(9,482)
Cash flows from (used in) financing activities	4,144	(36,872)
Increase/(decrease) in cash and cash equivalents	1,402	(40,131)
Cash and cash equivalents at the beginning of the period	7,817	53,194
Foreign currency exchange differences on cash	87	(8)
Cash and cash equivalents at the end of the period	9,306	13,055

Condensed Consolidated Financial Statements for the quarter ended 31 March 2008

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**Note 1 – General and principal activities**

(a) The accompanying Condensed Consolidated Financial Statements present the financial position per 31 March 2008, results of operations, changes in shareholders' equity, and cash flows for the quarter ended 31 March 2008 of Cinema City International N.V. ("the Company") and its subsidiaries (together referred to as "the Group") and the Group's interest in associates. The 31 March 2008 Condensed Consolidated Financial Statements were authorised for issue by the management board members on 14 May 2008.

(b) Cinema City International N.V. is incorporated in the Netherlands. The shares in the Company are traded on the Warsaw Stock Exchange. 64.37% of the outstanding shares in the Company are held by I.T. International Theatres Ltd. ("ITIT"), incorporated in Israel. The Group is principally engaged in the operation of entertainment activities in various countries including: Poland, Hungary, Czech Republic, Bulgaria, Romania and Israel. The Company is also engaged in managing and establishing its own entertainment real estate projects for rental purposes, in which the Company operates motion picture theatres. In addition, the Company is involved in short-term and long-term real estate trading in Central Europe. The Company's business is in large dependent both upon the availability of suitable motion pictures from third parties for exhibition in its theatres, and the performance of such films in the Company's markets.

Note 2 – Summary of significant accounting policies**A. Basis of preparation**

The Condensed Consolidated Balance Sheets as of 31 March 2008 and as of 31 March 2007, the Condensed Consolidated Income Statement, the Condensed Consolidated Statements of changes in Shareholders' Equity, the Condensed Statement of recognized income and expenses and the Condensed Consolidated Statements of Cash Flows for the 3 months ended 31 March 2008 and for the 3 months ended 31 March 2007 have not been audited. The Condensed Consolidated Balance Sheet as of 31 December 2007 and as of 31 December 2006 are extracted from the 2007 Annual Accounts.

The Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. In the preparation of these financial statements, the Company has followed the same accounting policies used in the Company's 2007 Annual Accounts. The Company's 2007 Annual Accounts have been prepared in accordance with IFRS adopted by the EU to be used for preparation of consolidated financial reporting. The 31 March 2008 Condensed Consolidated Financial Statements should be read in conjunction with the audited 2007 Annual Accounts. In addition, the Company has adopted the standards and interpretations with an effective date before 31 March 2008.

Condensed Consolidated Financial Statements for the quarter ended 31 March 2008

Note 2 – Summary of significant accounting policies (cont'd)

B. Functional and presentational currency

The functional currencies of the operations in Central Europe are the relevant local currencies: the Bulgarian leva, the Czech crown, the Hungarian forint, Romanian New Lei and the Polish zloty. The functional currency of the operations in Israel is the New Israeli shekel (NIS).

The financial statements of the above mentioned foreign operations are translated from the functional currency into euros (presentation currency) for both 2007 and 2008 as follows:

Assets and liabilities, both monetary and non-monetary are translated at the closing exchange rate. Income statement items were translated at the average exchange rate for the year. Foreign exchange differences arising on translation have been recognised directly in equity.

C. Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions. These judgements, estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

D. Principles of consolidation

These Condensed unaudited Consolidated Financial Statements include the accounts of the Company, its subsidiaries, and jointly controlled entities. Subsidiaries are those enterprises which are controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control effectively commences until the date that control effectively ceases. Jointly controlled entities are those enterprises over whose activities the Company has joint control, established by contractual agreements.

All inter-company accounts and transactions are eliminated when preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

A list of the companies whose financial statements are included in these Condensed Consolidated Financial Statements and the extent of ownership and control appear in Note 11.

Condensed Consolidated Financial Statements for the quarter ended 31 March 2008

Note 2 – Summary of significant accounting policies (cont'd)

E. Exchange rates

Information relating to the relevant Euro exchange rates (at end of period and averages for the period)*:

Exchange rate of euro						
As of	Czech crown (CZK)	Hungarian forint (HUF)	Polish zloty (PLN)	US dollar (USD)	Israeli shekel (NIS)	Romania New Lei (RON)
31 March 2008	25.38	259.19	3.55	1.58	5.62	3.75
31 December 2007	26.67	255.46	3.63	1.47	5.66	3.63
31 March 2007	28.05	248.33	3.87	1.33	5.55	3.39
Change during the period	%	%	%	%	%	%
2008 (3 months)	(4.84)	1.46	(2.20)	7.48	(0.71)	3.31
2007 (12 months)	(3.12)	1.01	(5.22)	11.36	1.80	6.45
2007 (3 months)	1.89	(1.81)	0.26	0.76	(0.18)	(0.59)

Exchange rate of euro						
Average for the period	Czech crown (CZK)	Hungarian forint (HUF)	Polish zloty (PLN)	US dollar (USD)	Israeli shekel (NIS)	Romania New Lei (RON)
2008 (3 months)	25.61	260.11	3.59	1.50	5.43	3.70
2007 (12 months)	27.78	252.05	3.79	1.37	5.63	3.35
2007 (3 months)	28.05	253.04	3.90	1.31	5.53	3.39
Change during the period	%	%	%	%	%	%
2008 (3 months)	(7.81)	3.20	(5.28)	9.49	(3.55)	10.44
2007 (12 months)	(2.08)	(4.85)	(2.82)	8.73	0.71	(5.37)
2007 (3 months)	(1.13)	(4.48)	(0.25)	(3.97)	(1.07)	(3.96)

Exchange rate of euro						
Average for the quarter ended 31 March	Czech Crown (CZK)	Hungarian Forint (HUF)	Polish Zloty (PLN)	US Dollar (USD)	Israeli Shekel (NIS)	Romania New Lei (RON)
2008	25.61	260.11	3.59	1.50	5.43	3.70
2007	28.05	253.04	3.90	1.31	5.53	3.39
Change quarter over quarter	%	%	%	%	%	%
2008	(8.70)	2.79	(7.94)	14.50	(1.80)	9.14
2007	(2.02)	(0.74)	1.56	8.98	(1.71)	(5.04)

*Since the exchange rate of Bulgarian Leva versus the Euro for the applicable periods is unchanged, a currency table is not added. The exchange rate for the applicable periods used is 1.95583 Bulgarian Leva for one Euro.

Condensed Consolidated Financial Statements for the quarter ended 31 March 2008

Note 3 – Changes in Consolidated Entities

A. Changes in consolidated and associated entities during the first quarter of 2008:

None

B. Changes in consolidated entities during 2007:

- (a) IT Sofia 2007 B.V 100% owned by the company, was incorporated in the Netherlands. The company holds 45% of Cinema City Malls AD, affiliated Bulgarian company owning a plot of land in Russe, Bulgaria. The 45% shares were transferred to IT Sofia 2007 B.V by IT Sofia BV during November 2007.
- (b) Forum Home Entertainment Czech s.r.o., 100% owned by the Company, was incorporated in the Czech Republic. The Company commenced operation in July 2007 and specializes in the distribution of DVD movies. This distribution company is the exclusive distributor in the Czech Republic of the Film DVD activity of "Disney".
- (c) New Age Cinema Romania S.R.L, 100% owned by the Company was incorporated in Romania. The Company commenced operation in December 2007 and specializes in screen advertising.
- (d) Cinema City Romania S.R.L, 100% owned by the Company was incorporated in Romania. The Company commenced operation in November 2007 and specializes in operation of theatres.
- (e) Kino 2005 a.s 100% owned by the company was fully merged into IT Czech Cinemas S.R.O which is also owned 100% by the company. The merge is effective as of 01 January 2007.

Condensed Consolidated Financial Statements for the quarter ended 31 March 2008

Note 4 – Share capital

The authorised share capital of the Company consists of 175,000,000 shares of EUR 0.01 par value each.

The number of issued and outstanding ordinary shares as at 1 January 2007 was 50,724,000. At 18 December 2007, the Company issued 110,000 ordinary shares. As a result of the share issue in 2007, the total number of shares issued and outstanding at 31 December 2007 totalled 50,834,000 which remained unchanged during the first quarter of 2008. All shares issued and outstanding at 31 March 2008 have been fully paid.

Note 5 – Commitments and contingent liabilities

The Company and its subsidiaries did not enter into any new agreements or contracts that resulted in additional significant commitments or contingent liabilities since 31 December 2007. The commitments, contingent liabilities and liens as disclosed in the Company's 2007 Annual Accounts for the year ended 31 December 2007 have not materially changed as at 31 March 2008, except for further commitments to open new cinemas as part of the Company's expansion plans and except for a cost overrun guarantee as disclosed below.

At the end of June 2007, the Company, through a subsidiary sold 15% of the shares in Mall of Plovdiv. After this sale, the Company still holds a 15% interest in the shares in Mall of Plovdiv. The Company has agreed to sell this remaining interest to the same buyers immediately prior to the opening of the Mall for a price based on an agreed upon formula whilst retaining the responsibility for the completion of the project. In this regard, the Company has provided the buyers with a cost overrun guarantee, to cover its part in any additional costs of completion of the project that exceed the budget.

As of 31 March 2008, the Group has guarantees for loans that in total amount to EUR 12 million and Polish zloty 115.5 million (EUR 32.6 million) in connection with loans provided to subsidiaries.

Cinema City Poland Sp. z o.o., a 100% owned by the Company, is the defendant in a claim brought by Związek Autorów i Kompozytorów ("Zaiks"), a Polish collection society representing screenplay authors and authors of other literary and musical works used in audiovisual works that are exhibited in Poland. The Company understands that Zaiks has also brought similar claims against every other major cinema exhibitor and cable TV operators in Poland. The claimant seeks royalties in an amount of which our share is approximately EUR 2.0 million plus interest for the use of works by certain of its members in movies exhibited in Poland. Based on legal advice, the Management Board do not expect the outcome of the claim to have a material effect on the Group's financial position.

Condensed Consolidated Financial Statements for the quarter ended 31 March 2008

Note 6 – Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Company's business. These risks are described in full detail in the 2007 Annual Accounts. As at 31 March 2008, the Company has hedged some of its USD and EUR expenses through March 2008 in respect of its Polish and Hungarian theatre operations, against the Polish Zloty and the Hungarian forint respectively.

In connection with these obligations, the Company has entered into forward foreign exchange contracts comprising a commitment to buy USD 400,000 at the beginning of each month until December 2008, and further commitments to buy EUR 300,000 and USD 500,000¹ at the beginning of each month until December 2009 at fixed prices denominated in Polish Zloty.

The company entered into further forward foreign exchange contracts comprising a commitment to buy USD 265,000 at the beginning of each month until December 2009 at fixed prices denominated in Hungarian Forint. These forward foreign exchange contracts have been valued in the consolidated balance sheet at 31 March 2008 at their fair value.

The valuation of contracts signed as of 1 January 2008 onwards is booked directly into equity in a separate Hedge reserve. The company designate these contracts to hedge future cash flow fluctuations deriving from differences between the EUR and the USD against local currencies as described above. Amounts are released from the Hedge reserve to profit or loss when the future transaction is settled.

¹ Starting from 1 January 2009.

Condensed Consolidated Financial Statements for the quarter ended 31 March 2008**Note 7 - Segment Reporting**

The primary segment information is presented in respect of the Group's business segments which are in accordance with the Group's management and internal reporting structure. The Group's operations in Israel and Central Europe are organised under the following major business segments:

- Theatre operations
- Distribution - Distribution of movies
- Video + DVD- Rental and sale of video cassettes and DVD
- Other- this includes the company's real estate business.

For the 3 months ended 31 March 2008						
EUR (thousands) – (unaudited)						
	Theatre Operations	Distribution	Video & DVD	Other	Eliminations	Consolidated
Revenues						
External sales	37,816	5,678	879	520	-	44,893
Inter-segment sales	-	1,641	-	-	(1,641)	-
Total revenues	37,816	7,319	879	520	(1,641)	44,893
Segment results	5,051	(228)	(166)	(84)	-	4,573
Net financial expense						(585)
Gain and loss on disposals and other write-offs						3
Income taxes						(303)
Minority interests						348
Net income						4,036

31 March 2008						
EUR (thousands) – (unaudited)						
	Theatre Operations	Distribution	Video & DVD	Other	Unallocated	Consolidated
Segment assets	209,736	13,418	1,936	28,074	727	253,891
Segment liabilities	24,250	3,722	(565)	2,922	61,559	91,888
Capital expenditure	8,504	11	154	-	-	8,669

Condensed Consolidated Financial Statements for the quarter ended 31 March 2008
Note 7 - Segment Reporting (cont'd)

For the 3 months ended 31 March 2007						
EUR (thousands) – (unaudited)						
	Theatre Operations	Distribution	Video & DVD	Other	Eliminations	Consolidated
Revenues						
External sales	31,375	5,494	921	399	-	38,189
Inter-segment sales	-	1,372	91	-	(1,463)	-
Total revenues	31,375	6,866	1,012	399	(1,463)	38,189
Segment results	4,893	(96)	(69)	9	-	4,737
Net financial expense						(961)
Gain and loss on disposals and other write-offs						27
Income taxes						(137)
Minority interests						159
Net income						3,825

31 March 2007						
EUR (thousands) – (unaudited)						
	Theatre Operations	Distribution	Video & DVD	Other	Unallocated	Consolidated
Segment assets	184,226	12,233	2,700	15,506	8,560*	223,225
Segment liabilities	23,122	4,780	1,360	1,720	56,684	87,666
Capital expenditure	7,666	-	210	37	-	7,913

*includes the proceeds from the public offering held in cash as per 31 March 2007

Condensed Consolidated Financial Statements for the quarter ended 31 March 2008**Note 8 – Share-based payments**

In December 2006 and as part of the successful initial public offering, a new long-term incentive plan (the “Plan”) was implemented. The persons eligible for participation in the Plan are the employees of the Group, including the members of the Management Board. Under the Plan, share options can be granted to members of the Management Board and selected employees. The exercise price of the granted options is determined by the Supervisory Board on the date of granting the share options and shall not be less than the fair market value at the time of the grant of the options. Options are conditional on the employee being employed or Board member being in office at the time the Options are exercisable (vesting period). Options granted shall vest over three years after the date of the grant: one third vesting after one year, one third vesting after two years and one third vesting after three year. The options have a contractual option term of ten years.

On 6 December 2006, a total number of 477,000 options with an exercise price of EUR 5.05 each, vesting in 3 years and having an option term of 4 years, were granted to certain employees of the Group. No options were granted to employees during 2007 and the first quarter of 2008. Members of the Management Board did not receive any options during 2007 and 2006.

In December 2007, a total number of 110,000 options that were granted in 2006 were exercised. The average share price at the time of exercise was EUR 9.42 per share. The details of the number of options outstanding as at 31 December 2007 are as follows:

Vesting date	Number of options		
	granted	exercised	outstanding
6 December 2007	159,000	110,000	49,000
6 December 2008	159,000	-	159,000
6 December 2009	159,000	-	159,000
	<u>477,000</u>	<u>110,000</u>	<u>367,000</u>

The weighted average fair value of options granted in 2006 using the Black-Scholes valuation model was approximately EUR 1 per option. The significant inputs into the model were a weighted average share price of EUR 5.05 at the grant date, the exercise price mentioned above, volatility of 20%, dividend yield of 0%, an option life of 4 years and an annual risk free rate of 4%.

The impact of the share-based payment on the financial statements of the Company for the first quarter of 2008 was an expense of EUR 28,000 (first quarter 2007: EUR 75,000) recognised in the income statement with a corresponding increase in equity.

During the first quarter of 2008 and during the year 2007 no options were forfeited.

Note 9 – Related party transactions

There were no material transactions and balances with related parties during the first quarter of 2008 other than were already disclosed in 2007 annual accounts.

Note 10 – Impairment losses and provisions

During the first quarter of 2008, no impairment losses were charged.

The net movements in the Group’s main provisions took place during the first quarter of 2008 are disclosed in the directors' report (see page 10).

Condensed Consolidated Financial Statements for the quarter ended 31 March 2008**Note 11 - Details of corporations in the Group**

	31 March 2008			
	Direct/indirect voting right of the Company	The Company's equity share in subsidiary	Consolidation	Currency
	%	%	%	
I.T. International Theatres 2004 Ltd.	100%	100%	Full	(6)
I.T. Magyar Cinemas Kft	100%	100%	Full	(2)
Cinema City Finance B.V	100%	100%	Full	(1)
Cinema City Poland Sp.Zoo	100%	100%	Full	(4)
IT Development 2003 Sp.Zoo	100%	100%	Full	(4)
I.T. Czech Cinemas S.R.O.	100%	100%	Full	(3)
Forum Home Entertainment Czech S.R.O.	100%	100%	Full	(3)
I.T. Sofia B.V.	100%	100%	Full	(1)
I.T Sofia 2007 B.V.	100%	100%	Full	(1)
New Age Media Sp.Zoo	100%	100%	Full	(4)
Forum Film Poland Sp.Zoo	100%	100%	Full	(4)
All Job Poland Sp. Zoo	100%	100%	Full	(4)
Norma Film Ltd.	60%	50%	Full	(6)
Forum Film Ltd.	60%	50%	Full	(6)
Ya'af - Giant Video Library Network Ltd.	60%	30%	Full	(6)
Ya'af – Automatic Video Machines Ltd.	60%	50%	Full	(6)
Kafan et Anak limited partnership	25%	15%	Proportionate	(6)
Mabat Ltd.	100%	100%	Full	(6)
Teleticket Ltd.	100%	100%	Full	(6)
Cinema Plus Ltd.	100%	100%	Full	(6)
Cinema City Bulgaria EOOD	100%	100%	Full	(5)
Forum Film Home Entertainment KFT	100%	100%	Full	(2)
New Age Cinema KFT	100%	100%	Full	(2)
Forum Hungary Film Distribution KFT	100%	100%	Full	(2)
Cinema City Romania SRL	100%	100%	Full	(7)
New age Media SRL	100%	100%	Full	(7)
Mall of Plovdiv EOOD	15%	15%	Not consolidated-held for sale	(5)
Cinema City Malls AD	45%	45%	Not consolidated-held for sale	(5)
(1) Dutch corporation.	(4) Polish corporation	(7) Romanian corporation		
(2) Hungarian corporation.	(5) Bulgarian corporation.			
(3) Czech corporation.	(6) Israeli corporation.			

*The details of corporation as of 31 December 2007 were similar to the details of corporation during the quarter ended 31 March 2008 as shown above, except for new entities as described in note 3A.

Condensed Consolidated Financial Statements for the quarter ended 31 March 2008
Note 12 – Condensed unconsolidated financial statements of Cinema City International N.V.
Condensed unconsolidated balance sheet as at 31 March 2008

	31 March 2008 (Unaudited)	31 December 2007 (Audited**)	31 March 2007 (Unaudited)	31 December 2006 (Audited**)
	EUR (thousands)			
ASSETS				
FIXED ASSETS				
Property and equipment	31	31	30	30
Investments in subsidiaries	150,612	144,472	129,297	125,903
Total fixed assets	150,643	144,503	129,327	125,933
CURRENT ASSETS				
Trade and other receivables	641	648	693	3,413
Receivables from subsidiaries	22,095	21,753	12,487*	16,356*
Cash and cash equivalents	1,263	1,369	7,724	45,758
Total current assets	23,999	23,770	20,904	65,527
TOTAL ASSETS	174,642	168,273	150,231	191,460
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital	508	508	507	507
Premium on share capital	90,377	90,377	89,820	89,945
Other reserves	53,709	37,057	36,832	25,019
Accumulated currency translation adjustments	14,238	11,605	4,575	4,967
Effective portion in fair value of cash flow Hedges	(865)	-	-	-
Net profit for the year	4,036	16,624	3,825	11,738
Total shareholders' equity	162,003	156,171	135,559	132,176
CURRENT LIABILITIES				
Payable to subsidiaries	12,301	11,817	13,821*	55,510*
Other current liabilities	338	285	851*	3,774*
Total current liabilities	12,639	12,102	14,672	59,284
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	174,642	168,273	150,231	191,460

*) Reclassified for comparison purposes.

**) Extracted from the 2007 Annual Accounts

Condensed Consolidated Financial Statements for the quarter ended 31 March 2008

Note 12 – Condensed unconsolidated financial statements (cont'd)
Condensed unconsolidated income statement

	For the 3 months ended 31 March 2008 (Unaudited)	For the 3 months ended 31 March 2007 (Unaudited)
	EUR (thousands, except per share data and number of shares)	
Revenues	-	-
General and administrative expenses	<u>344</u>	<u>284</u>
operating profit	(344)	(284)
Financial income	<u>20</u>	<u>329</u>
Financial expenses	<u>(16)</u>	<u>(68)</u>
Income before taxation	(340)	(23)
Income taxes	<u>-</u>	<u>-</u>
Income after taxation	(340)	(23)
Result from subsidiaries after taxation	<u>4,376</u>	<u>3,848</u>
Net income	<u>4,036</u>	<u>3,825</u>
Weighted average number of equivalent shares (basic)	<u>50,834,000</u>	<u>50,724,000</u>
Weighted average number of equivalent shares (diluted)	<u>50,974,398</u>	<u>50,920,901</u>
Net earnings per ordinary share (basic and diluted) of EUR 0.01 each	<u>0.08</u>	<u>0.08</u>

Condensed Consolidated Financial Statements for the quarter ended 31 March 2008**Note 12 – Condensed unconsolidated financial statements (cont'd)****Condensed unconsolidated statement of changes in shareholders' equity**

	For the 3 months ended 31 March 2008 (Unaudited)	For the 3 months ended 31 March 2007 (Unaudited)
	EUR (thousands)	
Balance as of the beginning of the period	156,171	132,176
Net income for the period	4,036	3,825
Share based payment	28	75
Public offering related costs *	-	(125)
Foreign currency translation adjustment	2633	(392)
Effective portion in fair value of cash flow Hedges	<u>(865)**</u>	-
Balance at the end of the period	<u>162,003</u>	<u>135,559</u>

* represented additional costs directly attributed to the 2006 initial public offering.

**represent changes in fair value adjustment of cash flow hedges related to part of the company future transactions denominated in currencies other than the functional currency (see note 6).

Condensed unconsolidated cash flow statement

	For the 3 months ended 31 March 2008 (Unaudited)	For the 3 months ended 31 March 2007 (Unaudited)
	EUR (thousands)	
Cash flows used in operating activities	(146)	(38,181)
Cash flows from investing activities	12	72
Cash flows from financing activities	<u>28</u>	<u>75</u>
Increase/(decrease) in cash and cash equivalents	(106)	(38,034)
Cash and cash equivalents at the beginning of the period	<u>1,369</u>	<u>45,758</u>
Cash and cash equivalents at the end of the period	<u>1,263</u>	<u>7,724</u>

Condensed Consolidated Financial Statements for the quarter ended 31 March 2008

Note 12 – Condensed unconsolidated financial statements (cont'd)

Additional information to the condensed unconsolidated financial statements of Cinema City International N.V.

The accounting principles and measurement basis of these Condensed Unconsolidated Financial Statements are consistent with those applied with respect to the 2007 Annual Accounts and have remained unchanged. In the preparation of these financial statements, the Company has followed the same accounting policies as used for the Condensed Consolidated Financial Statements as referred to in Note 2 A. The Company's 2007 Annual Accounts have been prepared in accordance with IFRS adopted by the EU to be used for preparation of consolidated financial reporting. The 31 March 2008 Condensed Unconsolidated Financial Statements should be read in conjunction with the audited 2007 Annual Accounts. In addition, the Company has adopted the standards and interpretations with an effective date before 31 March 2008.

As the significant event for the Group also apply to the Company on a stand-alone basis, reference is made to the Directors' Report where the highlights during the first quarter of 2008 are described.