

**Cinema City International N.V.**

**Quarterly Consolidated Financial Report**

**For the two quarters ended**

**30 June 2008**

**Quarterly Report for the two quarters ended 30 June 2008**

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## Directors' report

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# DIRECTORS' REPORT\*

## General

### Introduction

Cinema City International N.V. (the "Company"), incorporated in the Netherlands, is a subsidiary of I.T. International Theatres Ltd. The Company (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's shares are traded on the Warsaw Stock Exchange. As of August 13, 2008 the market share price was PLN 19.5 (EUR 5.95) giving the Company a market capitalization of EUR 302 million. The Company's office is located in Rotterdam, the Netherlands.

## Highlights during the six months ended 30 June 2008

The six months ended 30 June 2008 was a successful period for the Company, with revenues, EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortization) and net income all having increased in comparison to the six months ended 30 June 2007 (which itself was also a strong period). Consolidated EBITDA increased from EUR 18.1 million in the six months ended 30 June 2007 to EUR 21.9 million for the six months ended 30 June 2008. Net income increased from EUR 9.5 million for the first half of 2007 to EUR 10.6 million for the first half of 2008.

The Company's theatre operations performed well during the six months ended 30 June 2008, supported, mainly, by the continued growth of the Company's cinema circuit. The new screens the Company opened during 2007, including the first two multiplexes that were opened in Romania toward the end of 2007, had their first full half year of operations in the first six months of 2008, which, together with the addition of 23 screens in Budapest, Hungary, 10 screens in Pilzen (the Czech republic), 13 screens in Bydgoszcz (Poland) and 6 screens in Modiin (Israel), all of which opened during the first half of 2008, added to the positive results of the Company's theatre operations, both in terms of number of admissions sold and EBITDA.

The Company's real estate activities continued to contribute to the Company's results during the six months ended 30 June 2008, which was primarily driven by the revaluation of the Company's interest in the Mall of Russe to its increased fair market value, as described below.

\*Certain statements contained in this directors' 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**

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### **Highlights of the Company's theatre operations for the six months ended 30 June 2008 are as follows:**

In January 2008, the Company opened the largest Central European megaplex and IMAX<sup>®</sup>, a 23-screen 3,800 seat state-of-the-art flagship theatre, in Budapest, Hungary, which solidified the Company's position as one of the two key cinema operators in the Hungarian market. This theatre has significantly enhanced the Company's presence in the key Budapest market. It also unveiled the only IMAX<sup>®</sup> 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, which is a third party, 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 first half. (In a similar vein, the Company's revenues from theatre operations for the six months ended 30 June 2007, included compensation for the termination of the lease agreements in two Polish theatres that were under dispute).

In April 2008, the Company opened a 13-screen multiplex in Bydgoszcz, Poland.

In June 2008, the Company opened a 6-screen multiplex in Modiin, Israel.

In June 2008, the Company closed a 7 screen multiplex in Csepel, Hungary, with the expiration of its lease agreement which started on December 97. The 10 years lease of this multiplex has expired on December 2007. It was extended for two additional quarters, and was finally closed on June.

The Company's total screen count at the end of the six months ended 30 June 2008 following the above openings (and closings) are 548 (including 8 IMAX<sup>®</sup> theatres).

In July 2008, the Company opened a 23-screen multiplex in Haifa, Israel. This is 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 was opened in Ramat Gan in 2006. Parallel to the Haifa opening, per the Company's original plan, the Company closed its three older cinemas in Haifa, with a total of, 15 screens.

In a number of our newest multiplexes, we have begun to adopt state of the art digital technology. In our recently opened Budapest, Hungary and Haifa, Israel megaplexes, we have installed our first digital projectors. We intend to install up to 50 such projectors in our leading multiplexes throughout our cinema chain by the end of the year. The digital projectors will provide a higher quality, sharper resolution viewing experience, the ability to display new generation 3D movies and the flexibility to show alternative content. We also believe that in the long term, digital technology can help to reduce cinema labor costs as they require less ongoing manpower than traditional reel to reel projectors.

## Directors' report

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### **Highlights of the Company's film distribution operations for the six months ended 30 June 2008 are as follows:**

During the six months ended 30 June 2008, the Company's film distribution business benefited from the expansion of its DVD distribution activities to the Czech Republic. The Czech DVD distribution business, which had been established and commenced operation during the second half of 2007, focuses mainly on distributing DVDs for the Walt Disney Company. Moreover, total film distribution operations EBITDA and net income also increased during the six months ended 30 June 2008 in comparison to the six months ended 30 June 2007 mainly due to improvement of distribution margins in Israel and Hungary.

### **Highlights of the Company's real estate operations for the six months ended 30 June 2008 are as follows:**

The Company's real estate operation consists mainly of three projects in Bulgaria: the Malls of Plovdiv, Russe and Stara Zagora.

The Mall of Plovdiv is in an advanced phase of construction. It will comprise 25,000 square meters of leasable space, including an 8-screen multiplex. The opening of the mall is planned for the spring of 2009. In August 2007, the Company sold 15% of its interest in the Mall of Plovdiv. The Company's remaining 15% holding in the mall of Plovdiv will be sold to the same buyers based on an agreed formula prior to the opening.

The construction of the Mall of Russe commenced recently, with close to 40% of the mall already being pre-leased. The shopping center will comprise 35,000 square meters of leasable area and will include a multiplex. The Company's half year 2008 results were also positively impacted by the Company's revaluation of its investment in the Mall of Russe, which accounted for EUR 6,790,000 in revenues. This revaluation was done in accordance to International Financial Reporting Standards based on the Company's decision to hold its interest in the Mall of Russe as an investment for the foreseeable future, and to benefit from future rental income out of the shopping mall once completed, and from its capital appreciation, rather than sell it in the short term as the Company had originally envisioned. (For further information, see notes 3A and 5 to the notes to the Condensed Consolidated Financial Statements).

Subsequent to 30 June 2008 (on 9 July 2008) the Company finalized the purchase of 55% of the equity in the Mall of Stara Zagora (M.O Stara Zagora OOD), which included the 27.5% interest that was initially to be purchased by Ocif Eastern Europe Ltd. The other 45% of the Mall of Stara Zagora's equity is still held by the original shareholders of the company. The total purchase price was EUR 5,400,000. The Stara Zagora project includes a plot of land that will be used for the construction of a shopping mall with a Cinema City multiplex located therein.

On 30 July 2008 the Company entered into a share purchase agreement to buy from its partner, Ocif Eastern Europe Ltd., its 15% interest in the Mall of Plovdiv and its 45% interest in the Mall of Russe. The purchase price to be paid for shares in both holdings will be EUR 18 million. The closing of this transaction is subject to standard conditions precedent typically for such types of share purchase agreements and is expected to take place before the end of the third quarter or by early fourth quarter. As a result of the above transaction, the Company will increase its interest in the Mall of Plovdiv AD from 15% to 30%, and its interest in the Mall of Russe from 45% to 90%.

**Directors' report**

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**Financial information**

The Condensed unaudited Consolidated Financial Statements for the six months ended 30 June 2008 have been prepared by management under International Financial Reporting Standards as adopted by the European Union (“IFRS”) relating to interim financial information: IAS 34, Interim Financial Reporting, adopting the same accounting principles and methods of computation as used in the 2007 Annual Accounts.

**Directors' report****Overview of results**

The Company's net income for the six months ended 30 June 2008 was EUR 10,644,000 and can be summarized as follows:

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>EUR</b>	
	<b>(thousands, except per share data)</b>	
Revenues	<b>91,986</b>	80,276
Operating costs, excluding depreciation and amortisation	<u><b>64,725</b></u>	<u>57,859</u>
<b>Gross result</b>	<b>27,261</b>	22,417
General and administrative expenses	<u><b>5,351</b></u>	<u>4,366</u>
<b>EBITDA *</b>	<b>21,910</b>	18,051
Depreciation and amortisation	<u><b>9,446</b></u>	<u>7,148</u>
<b>Operating profit</b>	<b>12,464</b>	10,903
Financial income	<b>2,110</b>	874
Financial expenses	<b>(3,241)</b>	(2,768)
Gain/ (loss) on disposals and write-off of other investments	<u><b>(47)</b></u>	<u>88</u>
<b>Net income before taxation</b>	<b>11,286</b>	9,097
Income taxes	<u><b>(997)</b></u>	<u>(183)</u>
<b>Net income before minority interests</b>	<b>10,289</b>	8,914
Minority interests	<u><b>355</b></u>	<u>544</u>
<b>Net income attributable to equity holders of the parent company</b>	<u><b>10,644</b></u>	<u>9,458</u>
Weighted average number of equivalent shares (basic)	<u><b>50,834,000</b></u>	<u>50,724,000</u>
Weighted average number of equivalent shares (diluted)	<u><b>50,915,460</b></u>	<u>50,922,198</u>
Net earnings per ordinary share (basic and diluted of EUR 0.01 each)	<u><b>0.21</b></u>	<u>0.19</u>

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

## Directors' report

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### Revenues

Total revenues increased by 14.6% from EUR 80.3 million during the six months ended 30 June 2007 to EUR 92.0 million during the six months ended 30 June 2008.

Theatre operating revenues increased by 22.1% from EUR 57.8 million during the six months ended 30 June 2007 to EUR 70.6 million during the six months ended 30 June 2008. The increase in theatre revenues mainly resulted from an increase in number of admissions, driven mainly by the contribution of new cinemas opened in 2007 and in the first six months of 2008, and by the strength of the local currency in the Company's countries of operation.

Distribution operating revenues increased by 3.5% from EUR 11.4 million during the six months ended 30 June 2007 to EUR 11.8 million during the six months ended 30 June 2008. The increase was mainly due to the commencement of the distribution activities in the Czech Republic during the second half of 2007 having a full first half year of activities in 2008, and to an increase in the distribution revenues in Israel, partly offset by a reduction in distribution revenue in Poland.

Video operating revenues decreased by 10.5% from EUR 1.9 million during the six months ended 30 June 2007 to EUR 1.7 million during the six months ended 30 June 2008. Video operation revenues are generated only in Israel, and the Company has no plans to develop this activity further.

Other revenues, which include real estate activities, decreased by 14.1% from EUR 9.2 million during the six months ended 30 June 2007 to EUR 7.9 million during the six months ended 30 June 2008. This was mainly attributed to the fact that the revenue generated in the first half of 2008 from the revaluation of the Company's interest in the Mall of Russe was lower than the revenue generated from the sale of the first 50% of the Mall of Plovdiv during the first half of 2007. The contribution to the profit remained, however, at a similar level.

### Operating Costs

Operating costs increased by 11.7% from EUR 57.9 million during the six months ended 30 June 2007 to EUR 64.7 million during the six months ended 30 June 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 remained at a similar level - 73.8% and 73.2% for the six months ended 30 June 2008 and the six months ended 30 June 2007, respectively.
- a decrease in distribution operating expenses. Distribution operating expenses, excluding depreciation and amortization, as a percentage of total distribution revenue decreased to 91.9% for the six months ended 30 June 2008, from 102% for the six months ended 30 June 2007. The reduction in the relative part of operating expenses as a percentage of total revenue was mainly due to improved distribution margins both in Hungary and in Israel.
- Video operating expenses, excluding depreciation and amortization, as a percentage of total video revenue increased to 77.3% during the six months ended 30 June 2008, from 63.5% during the six months ended 30 June 2007.

## **Directors' report**

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### **General and administrative expenses**

General and administrative expenses increased by 22.7% from EUR 4.4 million for the six months ended 30 June 2007 to EUR 5.4 million during the six months ended 30 June 2008. General and administrative expenses as a percentage of total revenue increased to 5.8% for the six months ended 30 June 2008, from 5.4% for the six months ended 30 June 2007. The increase was mainly a result of the commencement of theatre activities in Romania and DVD distribution activities in the Czech Republic and the strengthening of local currencies in comparison to the EUR in Poland.

### **EBITDA**

As a result of the factors described above, the earnings before interest, tax, depreciation and amortization (EBITDA) increased by 21% from EUR 18.1 million for the six months ended 30 June 2007 to EUR 21.9 million for the six months ended 30 June 2008.

### **Depreciation and amortisation**

Depreciation and amortisation expenses increased by 32.4% from EUR 7.1 million for the six months ended 30 June 2007 to EUR 9.4 million for the six months ended 30 June 2008. This was due primarily to the commencement of operations of the Company's new multiplex screens added during 2007 and the six months ended 30 June 2008 and due to the depreciation of the fixed assets related to the closing of the Arena Multiplex in Israel during the first half ended 30 June 2008.

### **Operating profit**

As a result of the factors described above, the operating profit increased by 14.7% from EUR 10.9 million during the six months ended 30 June 2007 to EUR 12.5 million during the six months ended 30 June 2008.

### **Financial income/expenses**

The balance of financial income and expenses resulted in a net expense of EUR 1.1 million during the six months ended 30 June 2008 compared to a net expense of EUR 1.9 million during the six months ended 30 June 2007. This decrease is mainly due to exchange rate changes mainly in Poland and Hungary and due to capitalization of interest costs to the Mall of Russe project.

### **Minority interest**

Minority interests for the six months ended 30 June 2008 and 30 June 2007 comprised the share of minority shareholders in losses from subsidiaries that are not 100% owned by the Company (EUR 0.4 million and EUR 0.5 million, respectively).

### **Net income**

As a result of the factors described above, the Company realized a net income of EUR 10.6 million during the six months ended 30 June 2008 compared to net income of EUR 9.5 million during the six months ended 30 June 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 (six months ended 30 June)	3.492	3.354	3.657	3.354
2007 (six months ended 30 June)	3.853	3.714	3.969	3.769

Source: National Bank of Poland ("NBP")

**Selected financial data**

Selected financial data	EUR		PLN	
	(thousands, except per share data)			
	For the six months ended 30 June			
	2008	2007	2008	2007
Revenues	91,986	80,276	321,215	309,303
Operating profit	12,464	10,903	43,524	42,009
Income before taxation	11,286	9,097	39,410	35,051
Net income attributable to Equity holders of the parent company	10,644	9,458	37,169	36,442
Cash flows from operating activities	13,055	7,575	45,588	29,186
Cash flows used in investment activities	(21,260)	(11,416)	(74,240)	(43,986)
Cash flows provided by (used in) financing activities	7,536	(40,761)	26,316	(157,052)
(Decrease)/Increase in cash and cash equivalents	(669)	(44,602)	(2,336)	(171,852)
Total assets	274,454	226,853	920,519	855,009
Provisions	5,837	6,475	19,577	24,404
Long-term liabilities	40,192	39,643	134,804	149,414
Short-term liabilities	62,029	45,069	208,045	169,865
Shareholders' equity	174,638	143,538	585,735	540,995
Share capital	508	507	1,704	1,911
Average number of equivalent shares	50,834,000	50,724,000	50,834,000	50,724,000
Average number of equivalent shares (diluted)	50,915,460	50,922,198	50,915,460	50,922,198
Net earnings per ordinary share (basic and diluted)	0.21	0.19	0.73	0.72

Selected financial data were translated from EUR 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**

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### **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 half of 2008, the Company expects to open 3 multiplexes in Romania including a total of 24 screens – in Bacau, Pitesti and Cluj. Meanwhile, three more multiplexes that were originally scheduled to open in Romania during the second half of 2008 are now postponed until the first half of next year, due to delays caused by the shopping center developers.

In addition, the Company continues to progress in signing additional lease agreements for future multiplexes in Romania. As at August 2008, the Company has in total binding commitments for an additional 27 sites (representing approximately 266 screens) throughout Romania, and is in advanced negotiations in respect of a further number of sites.

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, 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.

**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 short report for the six months ended 30 June 2008 (13 August 2008), the following shareholders are entitled to exercise over 5% of voting rights at the General Meeting of Shareholders in the Company:

	As of 13 August 2008 Number of shares/ % of shares	Increase/ (decrease) Number of shares	As of 30 June 2008 Number of shares/ % of shares	Increase/ (decrease) Number of shares	As of 31 December 2007 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.
BZ WBK TFI SA	2,661,049 / 5.23%	-	2,661,049 / 5.23%	2,661,049	n.a.

\* In addition, Israel Theatres Ltd, the shareholder who holds 100% of I.T. International Theaters Ltd. holds 104,988 shares in Cinema City International N.V.(representing 0.2% of the shares).

**Changes in ownership of shares and rights to shares by Management Board members in the six months ended 30 June 2008 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 13 August 2008 Number of shares/ % of shares	Increase/ (decrease) Number of shares	As of 30 June 2008 Number of shares/ % of shares	Increase/ (decrease) Number of shares	As of 31 December 2007 Number of shares/ % of shares
<b>Moshe Greidinger*</b>	11,603,379 / 22.83%	20,931	11,582,448 / 22.78%	53,009	11,529,439 / 22.68%
<b>Amos Weltsch</b>	None	-	None	-	none
<b>Israel Greidinger*</b>	11,603,379 / 22.83%	20,931	11,582,448 / 22.78%	53,009	11,529,439 / 22.68%

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

## Directors' report

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### 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 13 August 2008.

### *Changes in ownership of shares and rights to shares by Supervisory Board members in the six months ended 30 June 2008 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 13 August 2008.

### *Changes in the composition of the Supervisory Board*

None.

### *Other*

As of 30 June 2008, the Group has issued guarantees for loans that in total amount to EUR 12 million and Polish zloty 115.5 (EUR 34.1) million in connection with loans provided to subsidiaries.

As of 30 June 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 six months ended 30 June 2008 :

- an increase in the provision for deferred tax liabilities of EUR 894,000 (an increase of EUR 974,000 during the 3 months ended 30 June 2008);
- a decrease in the provision for accrued employee retirement rights of EUR 2,000 (an increase of EUR 10,000 during the 3 months ended 30 June 2008);
- a decrease in the provision related to onerous lease contracts of EUR 804,000 (a decrease of EUR 402,000 during the 3 months ended 30 June 2008).

## The Management Board

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

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Amos Weltsch  
Management board  
Operational Director

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Israel Greidinger  
Management board  
Financial Director

**Rotterdam, 13 August 2008**

**Condensed Consolidated Financial Statements for the two quarters ended 30 June 2008**
**CONDENSED CONSOLIDATED BALANCE SHEET**

	30 June 2008 (Unaudited)	31 March 2008 (Unaudited)*	31 December 2007 (Audited)**	30 June 2007 (Unaudited)
	EUR (thousands)			
<b>ASSETS</b>				
<b>FIXED ASSETS</b>				
Intangible fixed assets	1,548	1,069	1,041	733
Property and equipment	205,608	190,616	183,239	176,902
Financial fixed assets	855	783	1,210	646
Investment properties	19,125	12,194	12,017	-
<b>Total fixed assets</b>	<b>227,136</b>	<b>204,662</b>	<b>197,507</b>	<b>178,281</b>
<b>CURRENT ASSETS</b>				
Inventories	5,131	4,763	4,380	4,574
Trade and other receivables	31,644	30,290	30,651	32,881
Assets held for sale	2,429	2,427	2,460	2,416
Cash and cash equivalents	7,764	11,523	8,012	8,701
Short-term bank deposits - collateralized	350	351	349	-
<b>Total current assets</b>	<b>47,318</b>	<b>49,354</b>	<b>45,852</b>	<b>48,572</b>
<b>TOTAL ASSETS</b>	<b>274,454</b>	<b>254,016</b>	<b>243,359</b>	<b>226,853</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Minority interests	(2,405)	(2,259)	(1,908)	(1,397)
<b>LONG-TERM LIABILITIES</b>				
Long-term loans, net of current portion	31,807	36,725	34,802	29,762
Provisions	5,837	5,276	5,750	6,475
Other long-term liabilities	2,548	2,429	2,537	3,406
<b>Total long-term liabilities</b>	<b>40,192</b>	<b>44,430</b>	<b>43,089</b>	<b>39,643</b>
<b>CURRENT LIABILITIES</b>				
Short-term bank credit	33,290	23,002	18,575	20,035
Other current liabilities	28,739	26,840	27,432	25,034
<b>Total current liabilities</b>	<b>62,029</b>	<b>49,842</b>	<b>46,007</b>	<b>45,069</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>274,454</b>	<b>254,016</b>	<b>243,359</b>	<b>226,853</b>

\*) Restated to reflect the reclassification of a jointly controlled entity as held for use (see Note 3A)

\*\*\*) Extracted from the 2007 Annual Accounts and restated to reflect the reclassification of a jointly controlled as held for use (see Note 3A)

**Condensed Consolidated Financial Statements for the two quarters ended 30 June 2008****CONDENSED CONSOLIDATED INCOME STATEMENT**

	For the 6 months ended 30 June 2008 (Unaudited)	For the 3 months ended 30 June 2008 (Unaudited)	For the 6 months ended 30 June 2007 (Unaudited)	For the 3 months ended 30 June 2007 (Unaudited)
<b>EUR</b>				
(thousands, except per share data and number of shares)				
<b>Revenues</b>	<b>91,986</b>	<b>47,093</b>	80,276	42,087
Operating costs	<u>74,171</u>	<u>36,292</u>	<u>65,007</u>	<u>33,679</u>
<b>Gross margin</b>	<b>17,815</b>	<b>10,801</b>	15,269	8,408
General and administrative expenses	<u>5,351</u>	<u>2,910</u>	<u>4,366</u>	<u>2,242</u>
<b>Operating profit</b>	<b>12,464</b>	<b>7,891</b>	10,903	6,166
Financial income	<b>2,110</b>	<b>1,145</b>	874	213
Financial expenses	<b>(3,241)</b>	<b>(1,691)</b>	(2,768)	(1,146)
Gain/ (loss) on disposals and write-off of other investments	<u>(47)</u>	<u>(50)</u>	<u>88</u>	<u>61</u>
<b>Income before taxation</b>	<b>11,286</b>	<b>7,295</b>	9,097	5,294
Income taxes	<u>(997)</u>	<u>(694)</u>	<u>(183)</u>	<u>(46)</u>
<b>Net income before minority interests</b>	<b><u>10,289</u></b>	<b><u>6,601</u></b>	<u>8,914</u>	<u>5,248</u>
<b>Attributable to:</b>				
Equity holders of the parent company	<b>10,644</b>	<b>6,608</b>	9,458	5,633
Minority interests in loss of consolidated subsidiaries	<u>(355)</u>	<u>(7)</u>	<u>(544)</u>	<u>(385)</u>
<b>Net income before minority interests</b>	<b><u>10,289</u></b>	<b><u>6,601</u></b>	<u>8,914</u>	<u>5,248</u>
Weighted average number of equivalent shares	<u>50,834,000</u>	<u>50,834,000</u>	<u>50,724,000</u>	<u>50,724,000</u>
Weighted average number of equivalent shares (diluted)	<u>50,915,460</u>	<u>50,915,460</u>	<u>50,922,198</u>	<u>50,922,198</u>
<b>Net earnings per ordinary share (basic and diluted) of EUR 0.01 each</b>	<b><u>0.21</u></b>	<b><u>0.13</u></b>	<u>0.19</u>	<u>0.11</u>

**Condensed Consolidated Financial Statements for the two quarters ended 30 June 2008****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	For the 6 months ended 30 June 2008 (Unaudited)	For the 3 months ended 30 June 2008 (Unaudited)	For the 6 months ended 30 June 2007 (Unaudited)	For the 3 months ended 30 June 2007 (Unaudited)
EUR (thousands)				
<b>Balance as of the beginning of the period</b>	<b>156,171</b>	<b>162,003</b>	132,176	135,559
Share based payment	54	27	150	75
Public offering related costs*	-	-	(153)	(28)
Net income for the period	<b>10,644</b>	<b>6,608</b>	9,458	5,633
Foreign currency translation adjustment	<b>10,248</b>	<b>7,614</b>	1,907	2,299
Effective portion in fair value of cash flow hedges **	<u>(2,479)</u>	<u>(1,614)</u>	-	-
<b>Balance at the end of the period</b>	<b><u>174,638</u></b>	<b><u>174,638</u></b>	<u>143,538</u>	<u>143,538</u>

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

\*\* represents changes in fair value adjustment of cash flow hedges related to part of the Company's future transactions denominated in currencies other than the functional currency ( see note 7).

**CONDENSED STATEMENT OF RECOGNISED INCOME AND EXPENSES**

	For the 6 months ended 30 June 2008 (Unaudited)	For the 3 months ended 30 June 2008 (Unaudited)	For the 6 months ended 30 June 2007 (Unaudited)	For the 3 months ended 30 June 2007 (Unaudited)
EUR (thousands)				
Foreign exchange translation differences before minority interest	<b>10,106</b>	<b>7,475</b>	1,949	2,343
Effective portion in fair value of cash flow hedges	<u>(2,479)</u>	<u>(1,614)</u>	-	-
<b>Net income recognised directly in equity</b>	<b>7,627</b>	<b>5,861</b>	1,949	2,343
Net income before minority interest	<b>10,289</b>	<b>6,601</b>	8,914	5,248
<b>Total recognised income and expense for the period</b>	<b><u>17,916</u></b>	<b><u>12,462</u></b>	<u>10,863</u>	<u>7,591</u>
<b>Attributable to:</b>				
Equity holders of the Company	<b>18,413</b>	<b>12,608</b>	11,365	7,932
Minority interests	<b>(497)</b>	<b>(146)</b>	(502)	(341)
<b>Total recognised income and expense for the period</b>	<b><u>17,916</u></b>	<b><u>12,462</u></b>	<u>10,863</u>	<u>7,591</u>

**Condensed Consolidated Financial Statements for the two quarters ended 30 June 2008**


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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	For the 6 months ended 30 June 2008 (Unaudited)	For the 3 months ended 30 June 2008 (Unaudited)	For the 6 months ended 30 June 2007 (Unaudited)	For the 3 months ended 30 June 2007 (Unaudited)
	EUR (thousands)			
Cash flows from operating activities	13,055	4,373	7,575*	1,352
Cash flows used in investing activities	(21,260)	(11,857)	(11,416)	(1,934)
<b>Cash flows provided by /(used) in financing activities</b>	<u>7,536</u>	<u>3,392</u>	<u>(40,761)</u>	<u>(3,889)</u>
<b>Decrease in cash and cash equivalents</b>	(669)	(4,092)	(44,602)	(4,471)
<b>Foreign exchange difference on cash</b>	421	333	109	117
<b>Cash and cash equivalents at the beginning of the period</b>	<u>8,012</u>	<u>11,523</u>	<u>53,194</u>	<u>13,055</u>
<b>Cash and cash equivalents at the end of the period</b>	<u><u>7,764</u></u>	<u><u>7,764</u></u>	<u><u>8,701</u></u>	<u><u>8,701</u></u>

**Condensed Consolidated Financial Statements for the two quarters ended 30 June 2008**

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**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 30 June 2008, results of operations, changes in shareholders' equity, and cash flows for the three and six months ended 30 June 2008 of Cinema City International N.V. ("the Company") and its subsidiaries and joint ventures (together referred to as "the Group") and the Group's interest in associates. The 30 June 2008 Condensed Consolidated Financial Statements were authorised for issue by the Management Board on 13 August 2008.

(b) Cinema City International N.V., incorporated in the Netherlands. The shares in the Company are traded on the Warsaw Stock Exchange. As at 30 June 2008, 64.37% (12/2007-64.13%) 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 30 June 2008, as of 31 March 2008 and as of 30 June 2007, the Condensed Consolidated Income Statement, the Condensed Consolidated Statements of changes in Shareholders' Equity, the Condensed Statement of recognised income and expenses and the Condensed Consolidated Statements of Cash Flows for the 6 months and for the 3 months ended 30 June 2008 and for the 6 months and for the 3 months ended 30 June 2007, have not been audited. The Consolidated Balance Sheet as of 31 December 2007, the Consolidated Income Statement, the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the twelve months ended 31 December 2007 have been audited.

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 and methods of computations 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. In addition, the Company has adopted the standards and interpretations with an effective date before 30 June 2008. The 30 June 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 30 June 2008.

**Condensed Consolidated Financial Statements for the two quarters ended 30 June 2008**

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

**B. Functional and reporting currency**

The functional currencies of the operations in Central Europe are the relevant local currencies: the Bulgarian leva, the Czech crown, the Hungarian forint, the 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 (functional currency of the Company) 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 period. 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 12.

## Condensed Consolidated Financial Statements for the two quarters ended 30 June 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)
<b>30 June 2008</b>	<b>23.89</b>	<b>238.58</b>	<b>3.38</b>	<b>1.58</b>	<b>5.28</b>	<b>3.68</b>
31 December 2007	26.67	255.46	3.63	1.47	5.66	3.63
30 June 2007	28.73	246.10	3.77	1.35	5.71	3.18
Change during the period	%	%	%	%	%	%
<b>2008 (6 months)</b>	<b>(10.42)</b>	<b>(6.61)</b>	<b>(6.89)</b>	<b>7.48</b>	<b>(6.71)</b>	<b>1.38</b>
2007 (12 months)	(3.12)	1.01	(5.22)	11.36	1.80	6.45
2007 (6 months)	4.35	(2.69)	(2.33)	2.27	2.70	(6.74)

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)
<b>2008 (6 months)</b>	<b>25.24</b>	<b>254.60</b>	<b>3.50</b>	<b>1.53</b>	<b>5.39</b>	<b>3.69</b>
2007 (12 months)	27.78	252.05	3.79	1.37	5.63	3.35
2007 (6 months)	28.16	251	3.85	1.33	5.52	3.35
Change during the period	%	%	%	%	%	%
<b>2008 (6 months)</b>	<b>(9.14)</b>	<b>1.01</b>	<b>(7.65)</b>	<b>11.68</b>	<b>(4.26)</b>	<b>10.15</b>
2007 (12 months)	(2.08)	(4.85)	(2.82)	8.73	0.71	(5.37)
2007 (6 months)	(0.74)	(5.25)	(1.53)	5.55	(1.25)	(5.37)

Exchange rate of euro						
Average for the quarter ended 30 June	Czech Crown (CZK)	Hungarian Forint (HUF)	Polish Zloty (PLN)	US Dollar (USD)	Israeli Shekel (NIS)	Romania New Lei (RON)
<b>2008</b>	24.87	249.09	3.42	1.56	5.36	3.67
2007	28.27	248.97	3.81	1.35	5.52	3.3
Change quarter over quarter	%	%	%	%	%	%
<b>2008</b>	<b>(12.02)</b>	<b>0.05</b>	<b>(10.23)</b>	<b>15.56</b>	<b>(2.9)</b>	<b>11.21</b>
2007	(0.53)	(6.75)	(3.54)	7.14	(2.82)	(6.25)

\*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 two quarters ended 30 June 2008

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### Note 3 – Changes in Consolidated Entities

#### A. Changes in consolidated and associated entities during the first two quarters of 2008:

(a) Cinema City Malls AD, in which the Company, through its 100% subsidiary IT Sofia 2007 B.V. incorporated in the Netherlands, holds 45% of the shares is proportionally consolidated in these Condensed Consolidated Financial Statements. Cinema City Malls AD, a Bulgarian company which commenced its activities in July 2007 and which owns a plot of land in Russe, Bulgaria, on which a shopping mall is being developed, is jointly controlled by the Company and a third party.

Up to and including the quarter ended 31 March 2008, the interest in Cinema City Malls AD was not consolidated in view of the Company's initial intention to sell this interest in the short term in line with the Company's strategy for real estate projects. Accordingly, the interest in Cinema City Malls AD as well as the loans granted by the Company to Cinema City Malls AD were classified as assets held for sale.

During the second quarter ended 30 June 2008, the Company reconsidered its strategy for this real estate project and decided to hold its interest in the Bulgarian real estate/shopping malls as investment for the foreseeable future and to benefit from future rental income out of the shopping mall once completed and from its capital appreciation.

As a consequence, the interest in Cinema City Malls A.D. is reclassified as held for use, i.e. investment and is accounted for using the proportionate consolidation method in these Condensed Consolidated Financial Statements retrospectively from the date of its classification as held for sale, being the date of its inception in July 2007. The Condensed Consolidated Balance Sheets as of 31 March 2008 and as of 31 December 2007 have been amended accordingly. The amendment relating to the financial year 2007 does not affect result in a restatement of retained earnings per 1 January 2008.

(b) New Age Cinema Czech S.R.O., 100% owned by the Company, was incorporated in the Czech Republic. The Company commenced operations in June 2008 and specializes in screen advertising.

#### B. Changes in consolidated entities during 2007:

(a) I.T. Sofia 2007 B.V. 100% owned by the Company, was incorporated in the Netherlands. The Company holds 45% of Cinema City Malls AD, an affiliated Bulgarian company owning a plot of land in Russe, Bulgaria. The 45% shares were transferred to I.T. Sofia 2007 B.V by I.T. 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 operations 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 Media 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 I.T. Czech Cinemas S.R.O. which is also owned 100% by the company. The merge is effective as of 1 January 2007.

**Condensed Consolidated Financial Statements for the two quarters ended 30 June 2008**

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**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 six months ended 30 June 2008. All shares issued and outstanding at 30 June 2008 have been fully paid.

**Note 5 – Investment properties**

Investment properties are those properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. An external, independent valuation company values the properties every six months. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing. Any gain or loss arising from a change in fair value is recognised in the consolidated income statement.

Property that is being constructed or developed for future use as investment property is accounted for – at cost – under Property and equipment during the construction phase, insofar the building is concerned. The land component of the property under development is included – at fair value – under Investment properties.

As of 30 June 2008, Investment properties consist of the Company's 45% interest in the land in Russe on which a shopping mall is being developed (see also Note 3A).

**Note 6 – 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 30 June 2008, except for further commitments to open new cinemas as part of the Company's expansion plans.

As of 30 June 2008, the Group has guarantees for loans that, in total, amount to EUR 12 million and PLN 115.5 million (EUR 34.1 million) in connection with loans provided to subsidiaries.

Cinema City Poland Sp. z o.o., 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 the Company's 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 two quarters ended 30 June 2008**

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**Note 7 – 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 fuller detail in the 2007 Annual Accounts. As at 30 June 2008, the Company has hedged some of its USD and EUR expenses through December 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 500,000<sup>1</sup> 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 2008 and further commitments to buy USD 255,000 at the beginning of each month<sup>1</sup> until December 2010 at fixed prices denominated in Hungarian Forint. These forward foreign exchange contracts have been valued in the consolidated balance sheet at 30 June 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 designates 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.

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<sup>1</sup> Starting from 1 January 2009.

**Condensed Consolidated Financial Statements for the two quarters ended 30 June 2008****Note 8 - 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.

	<b>For the two quarters ended 30 June 2008</b>					
	<b>EUR (thousands) – (unaudited)</b>					
	<b><u>Theatre Operations</u></b>	<b><u>Distribution</u></b>	<b><u>Video &amp; DVD</u></b>	<b><u>Other</u></b>	<b><u>Eliminations</u></b>	<b><u>Consolidated</u></b>
<b>Revenues</b>						
External sales	70,561	11,835	1,733	7,857	-	91,986
Inter-segment sales	-	2,910	-	-	(2,910)	-
<b>Total revenues</b>	<b><u>70,561</u></b>	<b><u>14,745</u></b>	<b><u>1,733</u></b>	<b><u>7,857</u></b>	<b><u>(2,910)</u></b>	<b><u>91,986</u></b>
<b>Segment results</b>	<b><u>6,183</u></b>	<b><u>8</u></b>	<b><u>(323)</u></b>	<b><u>6,596</u></b>	<b><u>-</u></b>	<b><u>12,464</u></b>
<b>Net financial expense</b>						(1,131)
<b>Gain and loss on disposals</b>						(47)
<b>Income taxes</b>						(997)
<b>Minority interests</b>						355
<b>Net income</b>						<b><u>10,644</u></b>

	<b>30 June 2008</b>					
	<b>EUR (thousands) – (unaudited)</b>					
	<b><u>Theatre Operations</u></b>	<b><u>Distribution</u></b>	<b><u>Video &amp; DVD</u></b>	<b><u>Other</u></b>	<b><u>Unallocated</u></b>	<b><u>Consolidated</u></b>
<b>Segment assets</b>	<b><u>225,647</u></b>	<b><u>14,760</u></b>	<b><u>1,921</u></b>	<b><u>31,270</u></b>	<b><u>856</u></b>	<b><u>274,454</u></b>
<b>Segment liabilities</b>	<b><u>24,209</u></b>	<b><u>4,771</u></b>	<b><u>(733)</u></b>	<b><u>3,615</u></b>	<b><u>67,954</u></b>	<b><u>99,816</u></b>
<b>Capital expenditure</b>	<b><u>18,581</u></b>	<b><u>355</u></b>	<b><u>328</u></b>	<b><u>158</u></b>	<b><u>-</u></b>	<b><u>19,422</u></b>

**Condensed Consolidated Financial Statements for the two quarters ended 30 June 2008**
**Note 8 - Segment Reporting (cont'd)**

	<b>For the two quarters ended 30 June 2007</b>					
	<b>EUR (thousands) – (unaudited)</b>					
	<b><u>Theatre Operations</u></b>	<b><u>Distribution</u></b>	<b><u>Video &amp; DVD</u></b>	<b><u>Other</u></b>	<b><u>Eliminations</u></b>	<b><u>Consolidated</u></b>
<b>Revenues</b>						
External sales	57,810	11,339	1,944	9,183	-	80,276
Inter-segment sales	-	1,289	-	-	(1,289)	-
<b>Total revenues</b>	<u>57,810</u>	<u>12,628</u>	<u>1,944</u>	<u>9,183</u>	<u>(1,289)</u>	<u>80,276</u>
	<u>6,413</u>	<u>(1,164)</u>	<u>(1)</u>	<u>5,655</u>	<u>-</u>	<u>10,903</u>
<b>Segment results</b>						
Net financial expense						(1,894)
Gain and loss on disposals						88
Income taxes						(183)
Minority interests						<u>544</u>
<b>Net income</b>						<u>9,458</u>
	<b>30 June 2007</b>					
	<b>EUR (thousands) – (unaudited)</b>					
	<b><u>Theatre Operations</u></b>	<b><u>Distribution</u></b>	<b><u>Video &amp; DVD</u></b>	<b><u>Other</u></b>	<b><u>Unallocated</u></b>	<b><u>Consolidated</u></b>
<b>Segment assets</b>	<u>185,816</u>	<u>14,004</u>	<u>2,553</u>	<u>23,833</u>	<u>647</u>	<u>226,853</u>
<b>Segment liabilities</b>	<u>21,541</u>	<u>7,324</u>	<u>1,297</u>	<u>1,394</u>	<u>51,759</u>	<u>83,315</u>
<b>Capital expenditure</b>	<u>11,632</u>	<u>38</u>	<u>405</u>	<u>42</u>	<u>-</u>	<u>12,117</u>

**Condensed Consolidated Financial Statements for the two quarters ended 30 June 2008****Note 9 – 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 six months ended 30 June 2008. Members of the Management Board did not receive any options during 2008 (6 months), 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 30 June 2008 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 six months ended 30 June 2008 was an expense of EUR 54,000 (six months ended 30 June 2007: EUR 150,000) recognised in the income statement with a corresponding increase in equity.

During the six months ended 30 June 2008 and during the year 2007 no options were forfeited.

**Note 10 – Related party transactions**

There were no material transactions and balances with related parties during the six months ended 30 June 2008.

**Note 11 – Impairment losses and provisions**

During six months ended 30 June 2008, no impairment losses were charged.

The net movements in the Group’s main provisions which took place during the six months ended 30 June 2008 are disclosed in the Directors' report (see page 11).

## Condensed Consolidated Financial Statements for the two quarters ended 30 June 2008

### Note 12 – Details of corporations in the Group

	30 June 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)
New Age Cinema 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 Romania SRL	100%	100%	Full	(7)
Mall of Plovdiv EOOD	15%	15%	Not consolidated-held for sale	(5)
Cinema City Malls AD	45%	45%	Proportionate	(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 six months ended 30 June 2008 as shown above, except for new entities as described in note 3A

**Condensed Consolidated Financial Statements for the two quarters ended 30 June 2008**
**Note 13 – Condensed unconsolidated financial statements of Cinema City International N.V.**
**Condensed unconsolidated balance sheet as at**

	30 June 2008 (Unaudited)	31 March 2008 (Unaudited)	31 December 2007 (Audited)*	30 June 2007 (Unaudited)
	EUR (thousands)			
<b>ASSETS</b>				
<b>FIXED ASSETS</b>				
Intangible assets	158	-	-	-
Property and equipment	31	31	31	30
Investments in subsidiaries	163,747	150,612	144,472	137,629
<b>Total fixed assets</b>	<b>163,936</b>	<b>150,643</b>	144,503	137,659
<b>CURRENT ASSETS</b>				
Trade and other receivables	363	641	648	573
Cash and cash equivalents	1,875	1,263	1,369	680
Receivables from subsidiaries	22,013	22,095	21,753	14,810
<b>Total current assets</b>	<b>24,251</b>	<b>23,999</b>	23,770	16,063
<b>TOTAL ASSETS</b>	<b>188,187</b>	<b>174,642</b>	168,273	153,722
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	508	508	508	507
Premium on share capital	90,377	90,377	90,377	89,942
Other reserves	53,735	53,709	37,057	36,757
Accumulated currency translation adjustments	21,853	14,238	11,605	6,874
Effective portion in fair value of cash flow hedges	(2,479)	(865)	-	-
Net profit for the period	10,644	4,036	16,624	9,458
<b>Total shareholders' equity</b>	<b>174,638</b>	<b>162,003</b>	156,171	143,538
<b>CURRENT LIABILITIES</b>				
Payable to subsidiaries	13,271	12,301	11,817	9,914
Other current liabilities	278	338	285	270
<b>Total current liabilities</b>	<b>13,549</b>	<b>12,639</b>	12,102	10,184
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>188,187</b>	<b>174,642</b>	168,273	153,722

\*) Extracted from the 2007 Annual Accounts.

## Condensed Consolidated Financial Statements for the two quarters ended 30 June 2008

### Note 13 – Condensed unconsolidated financial statements (cont'd)

#### Condensed unconsolidated income statement

	For the 6 months ended 30 June 2008 (Unaudited)	For the 3 months ended 30 June 2008 (Unaudited)	For the 6 months ended 30 June 2007 (Unaudited)	For the 3 months ended 30 June 2007 (Unaudited)
EUR				
(thousands, except per share data and number of shares)				
<b>Revenues</b>	-	-	-	-
General and administrative expenses	<u>732</u>	<u>388</u>	<u>563</u>	<u>279</u>
<b>Operating profit</b>	<b>(732)</b>	<b>(388)</b>	<b>(563)</b>	<b>(279)</b>
Financial income	55	35	353	24
Financial expenses	(38)	(22)	(89)	(21)
Currency exchange results	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Income before taxation</b>	<b>(715)</b>	<b>(375)</b>	<b>(299)</b>	<b>(276)</b>
Income taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Income after taxation</b>	<b>(715)</b>	<b>(375)</b>	<b>(299)</b>	<b>(276)</b>
Result from subsidiaries after taxation	<u>11,359</u>	<u>6,983</u>	<u>9,757</u>	<u>5,909</u>
<b>Net income</b>	<b><u>10,644</u></b>	<b><u>6,608</u></b>	<b><u>9,458</u></b>	<b><u>5,633</u></b>
Weighted average number of equivalent shares	<u>50,834,000</u>	<u>50,834,000</u>	<u>50,724,000</u>	<u>50,724,000</u>
Weighted average number of equivalent shares (diluted)	<u>50,915,460</u>	<u>50,915,460</u>	<u>50,922,198</u>	<u>50,922,198</u>
<b>Net earnings per ordinary share (basic and diluted) of EUR 0.01 each</b>	<b><u>0.21</u></b>	<b><u>0.13</u></b>	<b><u>0.19</u></b>	<b><u>0.11</u></b>

**Condensed Consolidated Financial Statements for the two quarters ended 30 June 2008****Note 13 – Condensed unconsolidated financial statements (cont'd)****Condensed unconsolidated statement of changes in shareholders' equity**

	For the 6 months ended 30 June 2008 (Unaudited)	For the 3 months ended 30 June 2008 (Unaudited)	For the 6 months ended 30 June 2007 (Unaudited)	For the 3 months ended 30 June 2007 (Unaudited)
EUR (thousands)				
<b>Balance as of the beginning of the period</b>	156,171	162,003	132,176	135,559
Share based payment	54	27	150	75
Public offering related costs*	-	-	(153)	(28)
Net income for the period	10,644	6,608	9,458	5,633
Foreign currency translation adjustment	10,248	7,614	1,907	2,299
Effective portion in fair value of cash flow hedges **	<u>(2,479)</u>	<u>(1,614)</u>	-	-
<b>Balance at the end of the period</b>	<u><u>174,638</u></u>	<u><u>174,638</u></u>	<u><u>143,538</u></u>	<u><u>143,538</u></u>

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

\*\* represents changes in fair value adjustment of cash flow hedges related to part of the Company's future transactions denominated in currencies other than the functional currency ( see Note 7).

**Condensed unconsolidated cash flow statement**

	For the 6 months ended 30 June 2008 (Unaudited)	For the 3 months ended 30 June 2008 (Unaudited)	For the 6 months ended 30 June 2007 (Unaudited)	For the 3 months ended 30 June 2007 (Unaudited)
EUR (thousands)				
Cash flows from operating activities	669	815	(45,127)	(6,946)
Cash flows from investing activities	(163)	(175)	52	(20)
Cash flows from financing activities	<u>-</u>	<u>(28)</u>	<u>(3)</u>	<u>(78)</u>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>506</b>	<b>612</b>	<b>(45,078)</b>	<b>(7,044)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<u><b>1,369</b></u>	<u><b>1,263</b></u>	<u><b>45,758</b></u>	<u><b>7,724</b></u>
<b>Cash and cash equivalents at the end of the period</b>	<u><u><b>1,875</b></u></u>	<u><u><b>1,875</b></u></u>	<u><u><b>680</b></u></u>	<u><u><b>680</b></u></u>

**Condensed Consolidated Financial Statements for the two quarters ended 30 June 2008**

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**Note 13 – 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 2A. The Company's 2007 Annual Accounts have been prepared in accordance with IFRS as adopted by the EU to be used for preparation of consolidated financial reporting. The 30 June 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 30 June 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 six months ended 30 June 2008 are described.