



## Press release

Warsaw, 15<sup>th</sup> March 2010

### **Cinema City Financial Results for 2009**

#### **Excellent results driven by high admissions and record cinema openings**

- In 2009, Cinema City International N.V. ("Cinema City") generated revenues of EUR 211.6 million (+18.2% y/y), EBITDA of EUR 46.4 million (+17.8%) and net profit of EUR 24.4 million (+38.3%).
- In the 4rd quarter alone, Cinema City's revenues were EUR 58.4 million (+21.9% y/y), EBITDA was EUR 11.4 million (+33.4%), and net profit was EUR 5.5 million (+83.6%).
- In 2009 revenues from theatre operations were up to EUR 172.5 million (+11.5% y/y) with EBITDA of EUR 37.7 million (+14.8% y/y) and EBIT of EUR 21.9 million (+40.8%). The Company sold in total 27.5 million tickets, 23.8% more than in the previous year. Average ticket price was EUR 4.09 (-11.2% y/y).
- Record cinema openings: 9 multiplexes with 104 new screens plus 1 IMAX and 1 Cinema Park (1 obsolete cinema with 3 screens was closed in Israel). As at the end of 2009 Cinema City was operating 69 theatres with 668 screens (18% y/y). Investments in cinema chain of EUR 36.8 million.
- Rapid digitalisation of cinema chain: 150 digital projectors at the end of 2009.
- Strong cinema advertising performance topped by successful promotion "Orange Wednesdays" in Poland and by Samsung-IMAX sponsorship agreement in Bucharest, Romania.
- Film distribution business developed with new Forum Film companies in Bulgaria (since October 2009) and Romania (since February 2010) representing Walt Disney Studio on these markets.
- Sale of CCI's remaining 30% of interest in the Mall of Plovdiv project for EUR 23 million. Construction works in Mall of Ruse continued. CCI investment in real estate segment of EUR 26.0 million.
- Cinema City plans for 2010 include opening of 9 to 10 cinemas with around 100 screens, development of cinema advertising and active consideration of cinema business expansion in existing markets as well as in the new territories.
- DVD distribution in CEE countries to be ceased mid 2010 and expected to improve the overall performance of the film distribution activity.
- Sale of CCI's real estate activity in Bulgaria to Israel Theatres Ltd in March 2010 for approx. EUR 85 million. Transaction scheduled to be closed until the end of March 2010. CCI will significantly reduce its debt and concentrate on its core theatre operation.

“We have the year of records behind us. In 2009 we have served 27.5 million viewers. I am proud to say that in the past two years we succeeded to open 200 new screens including over 100 screens opened in 2009 in 5 countries, which have all contributed to our excellent results in the past year. Our theatre operations results continue to be enhanced by very well received international and local films, part of them in the popular 3D format. That’s why we are the leaders in digitalization with well over 20% of screens already equipped with digital projectors at the end of 2009” **said Moshe J. Greidinger, CEO of Cinema City, the largest multiplex cinema operator in Central & Eastern Europe and in Israel** “In March 2010 we decided to sell our Bulgarian real estate operations to our parent company Israel Theatres Ltd. The successful sale of our interests in the Mall of Plovdiv made in March 2009, bringing us EUR 23 million revenue, may not be repeated soon as the real estate market in the region has slowed down dramatically. We believe that moving the real estate activities to Israel Theatres will be in our respective companies’ and shareholders’ best interest and will allow Cinema City to reduce its debt and concentrate on expanding the movie chain.”

### Financial results\*

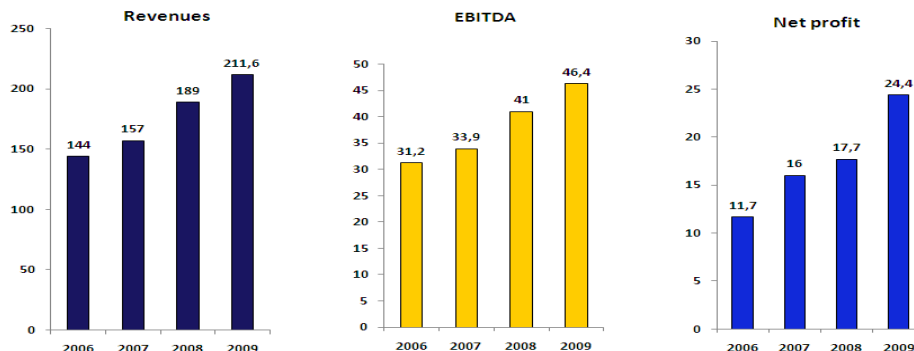
\*selected financial data for 2009 and Q4 2009 is presented in the appendix 1

The year 2009 was a record year in terms of revenues, EBITDA and net profit. Increase in revenues to EUR 211.6 million was mainly driven by very good performance of theatre operations and a successful real estate transaction of sale of 30% interests in the Mall of Plovdiv shopping centre, Bulgaria. Strong improvement of revenues in local currencies was diminished in euro terms, the CCI’s reporting currency, due to weak CEE currencies vs euro.

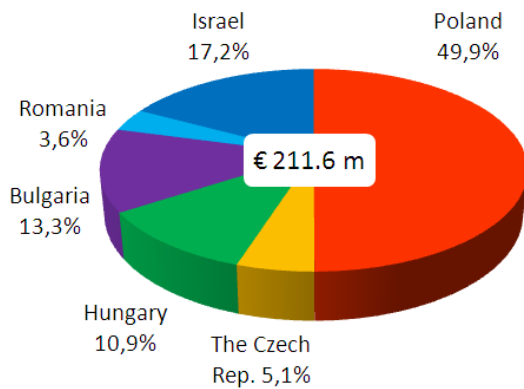
### Cinema City financial results

(€ millions)	2009	2008	Δ	Q4 2009	Q4 2008	Δ
Revenues	211.6	178.9	+18.2%	58.4	47.9	+21.9%
EBITDA	46.4	39.4	+17.8%	11.4	8.5	+33.4%
Net profit	24.4	17.7	+38.3%	5.5	3.0	+83.6%

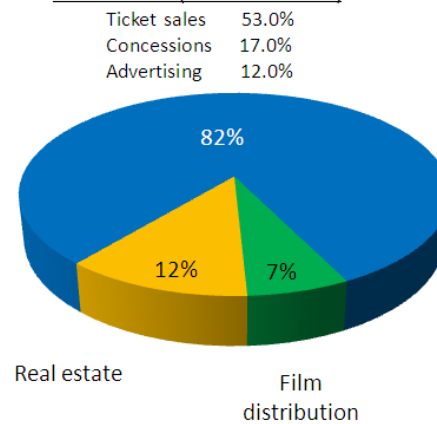
### Cinema City’s financial results in recent years (in EUR million)



### Cinema City revenue breakdowns - 2008



### Theatre operations breakdown (% of total sales):



Revenues from the Polish operations accounted for almost 50% of the total CCI revenues (in EUR up by 3.1%, in PLN up by 27.1%). The most significant growth of revenues was noted on Bulgarian market (+151.9% thanks to real estate transaction) as well as in the Romanian market (+135.0%), where Cinema City opened 3 new multiplexes including first megaplex in Bucharest, which sold 250 000 tickets in the first two months of its operation.

Theatre operations, CCI's core business line, generated EUR 172.5 million revenue (82% of the total CCI's revenues) and they increased by 11.5% y/y. Revenues from the box office increased by 9.9% to EUR 112.4 million, from cinema bars by 14.4% to EUR 35.7 million and from cinema advertising by 15.0% to EUR 24.4 million.

The number of cinema admissions increased by 23.8% last year, to 27.5 million. Average ticket price in EUR was down by 11.2% y/y to EUR 4.09.

In Q4 2009 alone the theatre revenues increased by 26.3% y/y to EUR 53.0 million with the ticket revenue going up by 24.7% y/y to EUR 34.4 million, cinema bar revenue rising to EUR 10.9 million y/y (28.4% y/y) and advertising revenue going up by 30.5% y/y to EUR 7.8 million. The number of admissions increased by 29.2%, to 8.0 million and the average ticket price went down by 1% to EUR 4.3.

Strong increase in admissions generating high box office was due to very good film production including 3D formats exhibited on a greater number of screens and thanks to the new cinemas opened in 2009 (record number of 104 new screens) and 2008 (94 new screens).

Decrease in the average ticket price in 2009 comparing with 2008 was mainly due to weak CEE currencies, but also due to the fact that the company was opening the cinemas in secondary cities.

In 2009 theatre operations generated EBITDA of EUR 37.7 (+14.8%) and EBIT of EUR 21.9 million (+40.8%).



In 2009 Cinema City earned revenues from real estate of PLN 25.2 million (+154% y/y), which were including sale of the Company's interests in Mall of Plovdiv, Bulgaria fully recognized in the first half of 2009 bringing revenues of EUR 23 million and EBITDA of EUR 10 million.

Film distribution operations passed through a weaker period, mainly due to distribution in Israel as well as due to DVD distribution in Hungary. In 2009 revenues from film distribution totalled EUR 13.9 million (-3.3%). EBITDA in this segment was of EUR – 0.4 million and EBIT of EUR – 0.6 million. The Company plans to cease the DVD distribution activity mid 2010.

## Strategy implementation

### Cinema chain

The Company's strategic objectives in the theatre operation segment are to:

- enhance Cinema City's position as a leading operator of multiplex cinemas in Central Europe through continued expansion in Poland, Hungary, the Czech Republic, Bulgaria and Romania,
- consider growth opportunities in new geographies in Europe when they present themselves, and
- strengthen its position as a leading motion picture exhibitor in Israel.

In 2009 Cinema City opened 105 new screens (including 1 IMAX) in 9 cinemas in 5 countries as well as Cinema Park in Poznan, Poland. One obsolete cinema with 3 screens was closed in Israel. The Company continued to invest in its cinema circuit development and the outlays reached EUR 36.8 million. As at March 2010 Cinema City has 42 binding lease agreements for new multiplexes with 426 screens which openings are scheduled for 2010-2013. 65% of these additional screens will be operated in Romania. During 2009 the Company continued rapid digitalization and it has installed around 100 projectors.

At the end of 2009 Cinema City operated 69 multiplexes with 668 screens in 6 countries: Poland, Israel, Hungary, the Czech Republic, Bulgaria and Romania. There were around 150 digital projectors installed in Cinema City multiplexes.

### Cinema City openings in 2009

	cinema	country	no of screens
1	CC Pardubice	The Czech Republic	8
2	CC Bacau	Romania	8
3	CC Plovdiv	Bulgaria	11
4	CC Bielsko Biala	Poland	10
5	CC Pitesti	Romania	6
6	CC Czestochowa	Poland	8
7	CC Allee Budapest	Hungary	13
8	CC Cotroceni Bucharest	Romania	20 + IMAX
9	CC Bonarka Cracow	Poland	20



## **Cinema advertising and film distribution**

2009 was a very good year for cinema advertising. Despite economic turbulences the demand for this type of advertising continued to grow with new cross country campaigns and special actions topped by Orange Wednesdays promotion in Poland and Samsung IMAX sponsorship signed for the only IMAX theatre in Romania.

Cinema City strengthened its relationship with Walt Disney Studio and its Forum Film companies started distribution of Disney's films in Bulgaria and Romania.

## **Real estate development**

In March 2009 the Company succeeded to sell its remaining 30% interests in the Mall of Plovdiv project for EUR 23 million, which contributed significantly to the total CCI financial performance. During the year construction of CCI's next shopping centre, Mall of Ruse, continued according to the schedule. Mall of Stara Zagora has been in the design phase.

## **Investment outlays and debt**

In 2009 Cinema City invested EUR 62.8 million. Expansion of the theatre chain engaged EUR 36.8 million (59% of the total outlays) and real estate projects, mainly Mall of Plovdiv, EUR 26.0 million (41% of the total outlays). Total CCI's debt at the end of 2009 reached EUR 106 million (+4.7% y/y) and the net debt was of EUR 83.8 million (-6.5% y/y).

## **Plans for 2010**

### **Cinema chain**

Despite the slowdown in the real estate market Cinema City plans to open around 100 screens in 10 cinemas: 6 cinemas in Romania, 2 cinemas in Bulgaria and 2 cinemas in Poland. The Company's is also planning to install additional around 80 digital projectors in total in all countries of operations. As at March 2010 CCI has binding commitments for 42 new multiplexes with over 426 screens and is in negotiations in respect for further number of sites.

### **Film distribution**

In 2010 Forum Film companies will operate the full year already in 5 countries: Israel, Poland, Hungary, Bulgaria and since February 2010 in Romania representing Walt Disney Studio and also other independent international and local studios. This activity will be enhanced by a rich movie line-up from Walt Disney planned for this year.

Cinema City will cease DVD distribution activity in Hungary and in the Czech Republic during 2010. The Company's decision follows a poor performance of this business line without any prospects for improvement.



## Real estate development

In March 2010 CCI expects to finalize the agreements with its parent company Israel Theatres Ltd to sell all of its Bulgarian real estate activities for approx. EUR 85 million.

The Assets include: the Mall of Ruse project in the city of Ruse which is in an advanced construction stage, the Mall of Stare Zagora which is still in its planning stage and RESB – a real estate development and management company which is involved in building and leasing these assets.

All provisions of this agreement are presented in the current report no 6/20101 available on the Company's website [www.cinemacity.nl](http://www.cinemacity.nl)

**Moshe J. Greidinger, Cinema City CEO comments:** *"I expect 2010 to be another year of growth for Cinema City. We plan to open another 100 screens and to add another 80 digital projectors. We are very positive looking at the line-up of movies planned for 2010 including: Alice in Wonderland, Toy Story 3, Shrek 4 and Harry Potter as well as many other good international and domestic titles. The year has already begun very strongly with Avatar, the highest grossing movie in the history, which in the Polish market has sold over 3,5 million tickets so far. This spectacular success has drawn the attention of other movie producers in Hollywood and it allows us to expect that in the future there will be more "mega productions" in 3D format on the screens."*

**Cinema City International** is the largest multiplex cinema operator in Central & Eastern Europe and in Israel. The Company operates **69 multiplexes** with **668 screens**, in 6 countries (Poland, the Czech Republic, Hungary, Romania, Bulgaria and Israel). There are 42 more multiplexes under development, which will offer over 426 new screens. In addition, Cinema City is actively involved in cinema related advertising and film distribution.

*The Cinema City group employs over 3,000 people in 6 countries.*

For more information, please visit [www.cinemacity.nl](http://www.cinemacity.nl) or contact:

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## Appendix 1

### Selected positions from the profit and loss account

in EUR '000	For 3 months 31 Dec 2009	For 3 months 31 Dec 2008	change %	For 12 months 31 Dec 2009	For 12 months 31 Dec 2008	change %
Revenues	58 442	47 950	21,9%	211 561	178 952	18,2%
Operating costs	43 452	35 974	20,8%	154 207	129 614	19,0%
<b>Gross result</b>	<b>14 991</b>	<b>11 976</b>	<b>25,2%</b>	<b>57 354</b>	<b>49 338</b>	<b>16,2%</b>
General and administrative expenses	3 613	3 448	4,8%	10 967	9 947	10,3%
<b>Operating profit</b>	<b>6 864</b>	<b>4 271</b>	<b>60,7%</b>	<b>30 219</b>	<b>21 842</b>	<b>38,4%</b>
<b>EBITDA</b>	<b>11 378</b>	<b>8 528</b>	<b>33,4%</b>	<b>46 387</b>	<b>39 391</b>	<b>17,8%</b>
Depreciation	4 514	4 257	6,0%	16 168	17 549	-7,9%
Financial activity (net)	(173)	(1 558)	-88,9%	(1 865)	(2 582)	-27,8%
Loss on disposals and write off other investments	(157)	(61)	157,4%	(128)	(199)	-35,7%
<b>Operating income before taxation</b>	<b>6 534</b>	<b>2 652</b>	<b>146,4%</b>	<b>28 226</b>	<b>19 061</b>	<b>48,1%</b>
Income tax (expense)	573	30	1810,0%	(2 455)	(1 344)	82,7%
Discontinued operation (loss)	(559)	(612)	-8,7%	(1 908)	(1 543)	23,7%
Minority interests	(106)	(989)	-89,3%	(517)	(264)	95,8%
<b>Net income before minority interests</b>	<b>5 507</b>	<b>2 999</b>	<b>83,6%</b>	<b>24 426</b>	<b>17 656</b>	<b>38,3%</b>