



## Cinema City International N.V. Shareholders Circular

### Introduction

This document is prepared under article 35.5 of the Articles of Association of Cinema City International N.V. (the "**AoA**") with its corporate seat in Amsterdam, the Netherlands (the "**Company**") and contains the draft resolutions to be adopted by the General Meeting of Shareholders ("**GM**") at the occasion of the Annual General Meeting of Shareholders, to be held on 21 June, 2011 in Rotterdam at Weena 210-212, 3012 NJ Rotterdam, at 3 pm CET ("**AGM**"), as well as the explanatory notes thereto. This document must be read in conjunction with the AoA and the Annual Report for the financial year 2010 as published by the Company and made available to all shareholders (the "**Annual Report 2010**"). This document and the documents it refers to are available for all shareholders via the Company's website: [www.cinemacity.nl](http://www.cinemacity.nl) (please see tab *Investor Relations*) and are also available for shareholders' inspection at the Company's offices in the Netherlands in Rotterdam at Weena 210-212, 3012 NJ Rotterdam and at the Company's offices in Poland in Warsaw at 37 Fosa Str. during business days, Monday through Friday, between 9:00 and 17.00 CET).

### Agenda

For the AGM the following agenda is adopted on the basis of Article 35.4 of the AoA by the Board of Managing Directors and the Board of Supervisory Directors in accordance with Article 33.2 of the AoA as follows:

1. Opening of the General Meeting
2. Discussion on the annual report for the financial year 2010, including the managing directors' report and supervisory directors' report
3. Adoption of the annual accounts for the financial year 2010\*
4. Discussion on the policy on additions to the reserves and dividends
5. Appropriation of the net profit for the financial year 2010\*
6. Discharge from liability ("décharge") of the members of the Board of Managing Directors for their management tasks during the financial year 2010\*
7. Discharge from liability ("décharge") of the members of the Board of Supervisory Directors for their supervisory tasks during the financial year 2010\*
8. Discussion of the Corporate Governance policy as set out in the Annual Report for the financial year 2010
9. Appointment of the Company's external auditor for the financial year 2011\*
10. Composition of the Supervisory Board\*:
  - Re-appointment of two members of the Board of Supervisory Directors:
    - i. to re-appoint Mr Arthur F. Pierce as member of the Board of Supervisory Directors
    - ii. to re-appoint Mr. Yair Shilhav as member of the Board of Supervisory Directors
11. Authorization of the Board of Managing Directors under article 6 of the Company's articles of association to issue shares in the Company\*
12. Authorization of the Board of Managing Directors under article 9.3.c of the Company's articles of association to acquire shares in the Company by the Company\*
13. Amendment of the Company's articles of association in accordance with the draft dated [date] prepared by De Brauw Blackstone Westbroek NV and authorization of any and all members of the managing board of the Company as well as any and all civil-law notaries, associates and paralegals practicing with De Brauw Blackstone Westbroek N.V. to draw up the draft of the required notarial deed of amendment of the articles of association, to apply for the required ministerial declaration of no-objection, as well as to execute the notarial deed of amendment of the articles of association\*
14. Any other business
15. Closing of the General Meeting



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### **Proposed Resolutions**

With a view to agenda items 3, 5, 6, 7, 9, 10, 11, 12 and 13 the following resolutions are proposed by the Board of Managing Directors and the Supervisory Board. Both Boards unanimously recommend that the GM adopt these resolutions.

After each resolution a short explanation is given for consideration by the GM before voting on the adoption of the resolutions. The main agenda item for the GM is the adoption of the annual accounts of the Company for financial year 2010. Most of the other agenda items are closely related to the adoption of the annual accounts. In addition, a proposal is made to amend the articles of association of the Company (AoA) under agenda item 13.

The other non- marked agenda items do not require a resolution and are scheduled (annually) in line with the AoA and the Company's policies to allow the shareholders to discuss these items with the boards and ask questions.

For the relevant facts and circumstances to be considered by the GM reference is made to the Annual Report 2010. Shareholders are explicitly invited to take cognizance of the Annual Report 2010. In addition, Shareholders are also invited to consider the AoA, in particular as to the provisions governing the GM and the preparation and adoption of the annual accounts.

### ***Resolution for agenda item 3***

*To adopt the annual accounts of the Company for the financial year 2010 in accordance with the accounts included in the Annual Report 2010.*

#### **Explanation**

For the relevant facts and circumstances for this resolution reference is made to the Annual Report 2010. The accounts are audited and approved by KPMG Accountants N.V. The GM is authorized to adopt the annual accounts on the basis of Article 30.4 of the AoA.

### ***Resolution for agenda item 5***

*To acknowledge the decision by the Board of Managing Directors to add the profit of the Company for the financial year 2010 in the amount of EUR [amount] to the general reserve and to resolve to declare a dividend at nil for the financial year 2010 in accordance with the proposal of the Board of Managing Directors included in the Annual Report 2010.*

#### **Explanation**

For the relevant facts and circumstances for this resolution reference is made to the Annual Report 2010. The Board of Managing Directors is authorized under Article 32.1 of the AoA to determine which portion of the profits shall be reserved. The GM is authorized to determine the dividend on the basis of Article 32.5 of the AoA upon a proposal by the Board of Managing Directors, approved by the Supervisory Board, which approval was granted on 11 March 2011.

The proposal of the Board of Managing Directors is in line with the prevailing dividend policy of the Company, which is annually scheduled for discussion with the shareholders at the AGM. The Company's current dividend policy which takes into account the Company's investment projects



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currently underway and capital needs of those investments, is to use profits for the further development of the Company rather than for the distribution of dividends.

### **Resolution for agenda item 6**

*To grant discharge from liability (“décharge”) to the members of the Board of Managing Directors for their management tasks during the financial year 2010.*

#### Explanation

This agenda item is an annually recurring item, scheduled on the basis of Article 33.2 of the AoA and in accordance with Dutch law. For the relevant facts and circumstances for this resolution reference is made to the Annual Report 2010. The GM is authorized to resolve regarding discharge. Discharge does not extend to facts and circumstances that are not disclosed to or not otherwise reasonably known by the GM.

### **Resolution for agenda item 7**

*To grant discharge from liability (“décharge”) to the members of the Supervisory Board for their supervisory tasks during the financial year 2010.*

#### Explanation

This agenda item is an annually recurring item, scheduled on the basis of Article 33.2 of the AoA. For the relevant facts and circumstances for this resolution reference is made to the Annual Report 2010. The GM is authorized to resolve regarding discharge.

### **Resolution for agenda item 9**

*To appoint KPMG Accountants N.V. as the Company’s external auditor for the financial year 2011.*

#### Explanation

The GM is authorized to appoint the auditor on the basis of article 29.1 of the AoA. Under Dutch law, appointment of an auditor is mandatory for the Company. If the GM would fail to appoint an auditor the Board of Managing Directors and the Supervisory Board are obliged and authorized to do so. It is the Company’s policy to schedule the appointment of the auditor each year for the AGM. KPMG Accountants N.V., independent auditors, have assisted the Company with auditing and reviewing the Company’s accounts. The Board of Managing Directors and the Board of Supervisory Members believe that KPMG Accountants N.V. have performed very well in assisting thus far, are duly skilled to act as the Company’s external auditor, have no conflict of interest with the Company that could affect the performance of their functions as the Company’s external auditor and that their appointment will ensure the independent auditing of the Company’s annual accounts and review of other financial information.

### **Resolution for agenda item 10 i**

*To re-appoint Mr. **Arthur F. Pierce** as member of the Supervisory Board effective from the day of the meeting, for a term of four years.*



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### Explanation

Mr. Arthur F. Pierce is currently a supervisory director of the Company and was initially appointed to the Board of Supervisory Directors in 2004 for a term of four years. Mr. Pierce was reappointed at the Annual General Meeting held in 2008 for another four year term. Her interim resignation and proposed re-appointment is to implement a staggering expiration of individual terms of supervisory directors in line with the policy of the board as explained in the Annual Report 2010, in order to secure continuity within the Board. Mr. Pierce's re-appointment would be in line with the provisions of the AoA (Article 23.3 and Article 23.4) and the Company's Corporate Governance Policy as approved by the shareholders at the AGM of 2007. Mr Pierce's expertise and experience has contributed and will contribute in the future to the highest standard of supervision over the Company. For the information required by Article 23.5 of the AoA reference is made to the Annual Report 2010 and the biography of Mr. Pierce available on the Company's website. The information required by Article 23.2 of the AoA (profile, size and composition and expertise) is available on the Company's website. It is intended that upon re-appointment of Mr. Pierce the roles and functions of the Supervisory Board members and the Board's committees will remain unchanged. The Board of Managing Directors and the Board of Supervisory Directors recommend that the GM re-appoint Mr. Pierce as member of the Supervisory Board in accordance with the proposal. Re-appointment will entitle Mr. Pierce to the compensation and benefits applicable to members of the Board of Supervisory Directors.

### **Resolution for agenda item 10 ii**

*To re-appoint Mr. Yair Shilhav as member of the Supervisory Board effective from the day of the meeting, for a term of four years.*

### Explanation

Mr. Yair Shilhav is currently a member of the Board of Supervisory Directors of the Company and was initially appointed to the Board of Supervisory Directors in November 2006 for a term of four years, expiring in November 2010. In this light and to the extent required by law, re-appointment of Mr. Shilhav would be deemed to ratify Mr. Shilhav's actions as member of the Board of Supervisory Directors in the period following expiration of his initial term and the date of re-appointment. Mr. Shilhav's re-appointment would be in line with the provisions of the AoA (Article 23.3 and Article 23.4) and the Company's Corporate Governance Policy as approved by the shareholders at the AGM of 2007. Mr. Shilhav's expertise and experience has contributed and will contribute in the future to the highest standard of supervision over the Company. For the information required by Article 23.5 of the AoA reference is made to the Annual Report 2010 and the biography of Mr. Shilhav available on the Company's website. The information required by Article 23.2 of the AoA (profile, size and composition and expertise) is available on the Company's website. It is intended that upon re-appointment of Mr. Shilhav the roles and functions of the Supervisory Board members and the Board's committees will remain unchanged. The Board of Managing Directors and the Board of Supervisory Directors recommend that the GM re-appoint Mr. Shilhav as member of the Supervisory Board in accordance with the proposal. Re-appointment will entitle Mr. Shilhav to the compensation and benefits applicable to members of the Board of Supervisory Directors.

The Board of Supervisory Directors currently consists of 6 members. The maximum number is currently set at 6 by clause 22.1 of the AoA. This means that an increase of the number of supervisory directors in excess of 6 requires an amendment of the AoA. In order to increase the Company's flexibility, it is proposed to determine a higher maximum of 9 in the AoA and make the determination the specific number at any given time by a simple shareholders resolution within a higher maximum defined by the AoA. This proposal assumes an amendment of the AoA, which is envisaged and



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proposed under agenda item 13 hereafter. With re-appointment of Messrs. Pierce and Shilhav and the amendment of the AoA under agenda item 13 of the agenda, the shareholders effectively set the number of the Board of Supervisory Directors for the time being at: 6 with no vacancies, subject to revision in due course.

### **Resolution for agenda item 11**

*To authorize the Board of Managing Directors under article 6.1 of the Company's articles of association for a period of 5 years (expiring 21 June 2016) to issue shares in the Company with a maximum calculated by deducting the total number of outstanding shares at the time of the issue from the total number of shares as authorized at the time of the issue by the Authorized share capital of the Company and to authorize the Board of Managing Directors under article 7.5 of the Company's articles of association to exclude or restrict, to the Board's full discretion, the pre-emption right of shareholders under article 7.2 of the articles of association, provided that all relevant resolutions of the Board of Managing Directors regarding issue of shares and exclusion or restriction of pre-emption rights will be subject to prior approval by the Board of Supervisory Directors.*

### Explanation

It is the prerogative of the GM to resolve to issue new shares in the Company. Under article 6 of the AoA, the GM may mandate an other corporate body to issue shares. The mandate may be granted for a period of maximum 5 years. The GM has mandated the Board of Managing Directors before on 15 June 2010, which mandate expires 15 June 2015. It is now proposed to extend such mandate to 21 June 2016 and thus authorize the Board of Managing Directors to issue new shares with the discretion to exclude or restrict the shareholders' pre-emption right. Such authorization will allow the Company to issue new shares in the context of employee incentive plans or for general corporate purposes if the capital structure and/or capital needs of the Company would so require. The proposal is approved by the Board of Supervisory Directors and any decisions by the Board of Managing Directors to issue shares will be subject to such prior approval as well. During FY 2010 the Board of Managing Directors has not used the authorization to issue shares and restrict pre-emption rights for other purposes than the execution of the Company's employee incentive plan and it is currently not envisaged that the board will do so in FY 2011 and any plan or intention to so issue shares will be published in accordance with and with due observance of the relevant rules and regulations It is noted that a resolution to authorize the Board of Managing Directors to exclude or restrict the shareholders' pre-emption rights will require a two third majority of the votes cast in the GM, unless more than 50% of the outstanding shares is present or represented in the GM, in which case a simple majority will suffice.

### **Resolution for agenda item 12**

*To authorize the Board of Managing Directors under article 9.3.c of the Company's articles of association for a period of 18 months (expiring 21 December 2012) to repurchase shares in the Company as well as to authorize the Board of Managing Directors to alienate existing shares in the Company, irrespective of whether such shares were repurchased or sold by the Company before or after the date of this resolution, in the context of an employee incentive plan or for other general corporate purposes, provided that the limitations of article 9 of the articles of association duly observed as to the maximum number of shares and within a price range of the nominal value of the shares and 110% of the average share price as listed for the shares on the Warsaw Stock Exchange in the five days prior to the transaction.*



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### Explanation

Under article 9.3.c of the AoA, it is the prerogative of the GM to authorize the Board of Managing Directors to repurchase shares in the Company and to determine the terms of such repurchase as to number of shares, purchase price and other terms. The authorization may be granted for a period of maximum 18 months. Similar authorizations were given by the GM on 7 November 2006 and 25 June 2007, the latter as part of the approval by the GM of the prevailing employee incentive plan of the Company, as well as on 23 June 2009. The prevailing authorization which was renewed on 15 June 2010, will expire 15 December 2011. It is now proposed to renew such authorizations and to authorize the Board of Managing Directors to repurchase and/or alienate existing shares in the Company with a such a maximum of shares as allowed by the limitations of articles 9.3 a. and b. and at a price not lower than the nominal value and not exceeding 110% of the WSE listed average share price five days prior to the date of the transaction for a period of 18 months to expire on 21 December 2012. Such authorization will allow the Company to execute the prevailing employee incentive plan and to repurchase and alienate existing shares for general corporate purposes.. The proposal is approved by the Board of Supervisory Directors and any decisions by the Board of Managing Directors to repurchase or alienate existing shares will be subject to such prior approval as well. During FY 2010 the Board of Managing Directors has not used the authorization to repurchase shares for other purposes than the execution of the Company's employee incentive plan and it is currently not envisaged that the board will do so in FY 2011 and any plan or intention to so repurchase shares will be published in accordance with and with due observance of the relevant rules and regulations.

### **Resolution for agenda item 13**

*To amend the articles of association of the Company in accordance with the draft deed of amendment dated [date] prepared by De Brauw Blackstone Westbroek NV and to authorize any and all members of the managing board of the Company as well as any and all civil-law notaries, associates and paralegals practicing with De Brauw Blackstone Westbroek N.V. to draw up the draft of the required notarial deed of amendment of the articles of association, to apply for the required ministerial declaration of no-objection, as well as to execute the notarial deed of amendment of the articles of association.*

### Explanation

Under article 43 of the AoA amendment of the articles of association can only be resolved by the GM at the proposal by the Board of Managing Directors, approved by the Board of Supervisory Directors. Such proposal was made by the first board and approved by the last board on 5 May 2011 in accordance with the draft deed prepared by De Brauw Blackstone Westbroek NV dated 20 April 2011 in accordance with annex 1 to this circular. In short, the amendment is proposed to update the AoA in accordance with certain developments in Dutch and EU corporate law. For the verbatim text of the proposed changes and a detailed explanation thereto reference is made to annex 1 to this circular

Rotterdam, 10 May 2011

The Board of Managing Directors

The Board of Supervisory Directors

*This document is of informative nature only and gives the facts and circumstances which, in the Company's beliefs, are relevant to the approvals, authorizations or delegations to be granted by the GM. Shareholders are kindly asked to read and consider carefully all the information made available by the Company, including the Annual Report 2010 and the Company's annual accounts. The Board of Managing Directors and the Supervisory Board reserve the right to change the proposed content of draft resolutions. If such is the case, the respective information together with a new wording of draft resolutions will be made available to the public.*