



Press release

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Cinema City sells its Bulgarian real estate business to Israel Theatres Ltd,

Cinema City International, N.V. (WSI:CCI) ("CCI") announced today that it has agreed in principle with Israel Theatres Ltd. ("Israel Theatres"), its controlling shareholder, to sell all of its real estate development and related activities in Bulgaria to Israel Theatres for approximately Euro 85 million.

"Shopping mall development provided Cinema City with an important early strategic advantage as part of our original entry into the Polish and Bulgarian markets. Not only did real estate development provide us with a convenient and economically feasible way to expand our theatre exhibition operations in these countries when we had a less significant presence, but in our earlier projects, we also benefited from being able to quickly transition out of being an owner and realizing strong financial gains. Today, however, with a circuit of close to 700 screens, and with over 400 screens under development, shopping mall development has become less important, especially in our existing territories. In addition, difficult conditions in the real estate market are also making quick exits on such properties – which were always part of our strategy – more difficult. We therefore believe that it will be beneficial to CCI for Israel Theatres, which is far more long-term real estate focused, to take over this activity in Bulgaria from Cinema City. The transaction will allow Cinema City to focus on growing our cinema business and will materially reduce our outstanding debt" said Moshe (Mooky) Greidinger, CEO of Cinema City (and one of Israel Theatre's controlling shareholders) the largest multiplex cinema operator in Central & Eastern Europe and in Israel.

The business to be sold to Israel Theatres includes the Mall of Ruse project in the city of Ruse, which is in an advanced construction stage and is expected to open later this year; the Mall of Stara Zagora, which is still in its planning stage; and RESB, the management company, which is responsible for building and leasing these assets. In addition, Israel Theatres has agreed to assume all of CCI's outstanding real estate development related obligations in Bulgaria, including completing CCI's post-sale commitments relating to the Mall of Plovdiv, which CCI sold last year. It is anticipated that the transaction will take place by way of a sale of the shares of the wholly-owned subsidiaries of CCI that hold the relevant assets.

The primary reason for the transaction is to permit CCI to focus on developing its theatre exhibition and film distribution businesses while reducing its outstanding debt, and to permit Israel Theatres to focus on its core competency associated with real estate development. Under the proposed transaction, CCI will agree not to engage in any real estate development business in Bulgaria going forward, and will concentrate its activities on cinema exhibition, film distribution and other related activities.



The purchase price will be based primarily on a valuation performed by an internationally recognized third party valuator for the properties both in Ruse and Stara Zagora, separately obtained by CCI in conjunction with the preparation of its 2009 audited financial statements, as shall be adjusted to take into account the closing balance sheets of the relevant companies. As a result of the transaction, CCI is expected to recognize a gain of approximately Euro 3.5 million on the sale of these two properties, in addition to profit of approximately Euro 7 million, which was previously recorded by CCI at the end of the second quarter of 2008 as a result of an earlier valuation.

Israel Theatres will pay Euro aprox. 70 million of the purchase price at the closing of the transaction, with the remainder, an approximate amount of Euro 15 million, payable 9 months after the opening of the Ruse mall, but in no event later than 18 months following the closing of the transaction.

In conjunction with Israel Theatres' securing financing for the transaction, CCI shall agree to refrain from borrowing additional funds if such borrowings would result in Israel Theatres, on a fully consolidated basis (together with CCI), breaching agreed upon EBITDA to debt ratios. This covenant is not expected to impact CCI's current Cinema City development plans. This covenant will remain in force so long as Israel Theatres remains the majority shareholder in CCI, or until Israel Theatres repays the debt it is assuming for financing the transaction.

In addition, the agreement provides that Israel Theatres will pay CCI a percentage of any gains it realizes from selling the Bulgarian real estate assets at any time within three years of the closing date – 75% of any gains prior to the first anniversary, 50% of any gains realized between the first and second anniversaries and 25% of any gains realized between the second and third anniversaries of the closing. Israel Theatres will be solely responsible for any losses it may suffer following the transaction.

CCI originally undertook real estate activities in Bulgaria (and before that in Poland) in order to accelerate its theatre development in Bulgaria (and, in general, throughout Central and Eastern Europe). CCI now believes that such activities are no longer necessary in Bulgaria, as CCI's development plans have matured and its business is progressing well without the need for active real estate development. CCI's original plan was to replicate its success in Poland and to sell part or all of its Bulgarian real estate assets during their construction phase, as it was able to do with the Malls of Plovdiv and Sophia, its first two development projects in Bulgaria. Current market conditions, however, are now making such sales very difficult. As Israel Theatres already has real estate interests in Bulgaria and in the region in general, and has a longer and more focused history in real estate development in general, CCI and Israel Theatres both believe it will be in their respective companies' and shareholders' best interest to move the Bulgarian real estate activities under the Israel Theatres' umbrella, while letting CCI concentrate on expanding its movie chain.

CCI will continue to be opportunistic in connection with its international theatre development plans and may consider real estate development projects in other



territories from time to time as serving the best interests of developing CCI's movie exhibition and distribution businesses in such territories.

The proceed of the transaction will be used to substantially reduce CCI group debt. CCI intends to use the excess cash and freed up leverage to fund the expansion of CCI's movie theatre activities, both in its current region of operation and potentially to new locations as well.

The transaction remains subject to Israel Theatres finalizing the financing arrangements, CCI's Supervisory Board approval and completion of definitive documentation. As this is a "related party" transaction – Israel Theatres is the majority shareholder of CCI – the CCI Supervisory Board will form a special committee of non-related party board members who, together with the CCI audit committee, will carefully review and vote on the transaction both on behalf of the CCI Supervisory Board and Management Board (which is made up primarily of "related parties").

Execution of definitive agreements and the closing of the transaction are expected to take place prior to the end of March 2010.

"Naturally, because Israel Theatres and Cinema City are related parties, we are relying on an independent third party valuation to determine the fair market purchase price and we are asking that the final decision on the transaction be made by a special independent committee of the Supervisory Board of Cinema City " – added Moshe (Mooky) Greidinger.

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.

In 2009 Cinema City sold 27,5 million tickets in six countries, 23.8% more compared to 2008. The Cinema City group employs over 3,000 people in 6 countries.

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