

Cinema City International N.V.

Quarterly Consolidated Financial Report

for the quarter ended

31 March 2007

Quarterly Report for the quarter ended 31 March 2007

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Director's report

DIRECTORS' REPORT

General

Introduction

Cinema City International N.V. (the "Company"), incorporated in the Netherlands, is a subsidiary of I.T. International Theatres Ltd. ("ITIT" or "parent company"). The Company (and together with its subsidiaries, the "Group"), is principally engaged in the operation of entertainment activities in various countries including: Poland, Hungary, Czech Republic, Bulgaria and Israel. The Company, through related entities, has been a family operated theatre business since 1929. In December 2006, the Company completed a successful initial public offering of its shares on the Warsaw Stock Exchange, having sold over 10 million primary shares and close to 8 million secondary shares at an offering price of PLN 19.30 (EUR 5.05) per share. As of the beginning of May 2007 the market share price was approximately PLN 32.6 (EUR 8.4) giving the Company a market capitalization of approximately EUR 427 million. The Company's headquarters and principal place of business are located in Rotterdam, the Netherlands.

Highlights during the first quarter of 2007

The three months ended 31 March 2007 was a successful quarter for the Company, with revenues, EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortization) and net income all having increased in comparison to the first quarter of the prior year (which itself was also a strong quarter). Consolidated EBITDA increased from EUR 6.6 million in the first quarter of 2006 to EUR 8.2 million for the first quarter of 2007. Net income increased from EUR 2.6 million for the first quarter of 2006 to EUR 3.8 million for the first quarter of 2007.

The Company's theatre operations performed particularly strongly during the first quarter of 2007 supported by a relatively well received supply of international movies. In particular, the Company's Polish operations performed very well, supported by a strong local supply of movies. The new screens which the Company opened in Poland during the latter part of 2006, and which had their first full first quarter of operations in 2007, together with the addition of 18 screens in Poznan, acquired by the Company in January from the Kinopolis Group, helped to increase the positive results in Poland, both in terms of number of admissions and EBITDA.

As in the first quarter of 2006, the Company's real estate activities during the first quarter of 2007 did not materially contribute to the Company's financial results. Successful leasing of some of the Company's real estate near its theatres in Poland, which was achieved during the first quarter, should contribute positively to the real estate operations results in subsequent periods.

In Bulgaria, the Company continues to supervise the construction of the Mall of Plovdiv, developed by a Bulgarian company in which 60% of the shares were acquired by the Company last year, together with the Company's original Mall of Sofia partner. The main asset of this company is a parcel of land in Plovdiv, Bulgaria, on which the mall is now being developed. Plovdiv is one of the largest secondary cities in Bulgaria. Similar to the Mall of Sofia project, the Company plans to develop a modern shopping and entertainment centre on this parcel (but without an office complex), which will include a multiplex theatre. The Company plans to sell the shopping center whilst maintaining the lease of the multiplex theatre.

Director's report

Highlights of the Company's operations for the three months ended 31 March 2007 are as follows:

In January 2007, the Company acquired a modern recently developed 18 screen multiplex cinema in Poznań, Poland that previously had been operated by the Kinopolis Group. Under the agreement with Kinopolis, the Company acquired certain assets relating to Kinopolis' operation of the Poznań theatre and entered into a long-term lease of the 18 screen complex with Kinopolis, which continues to own the building. This multiplex has now become the Company's second theatre operation in Poznań.

In March 2007, the Company opened two multiplexes in Poland, one in Rybnik and one in Sosnowiec. The Rybnik multiplex consists of 8 screens with a total of 1,524 seats. The Sosnowiec multiplex, which is smaller than the Company's typical multiplex, consists of only 6 screens with a total of 874 seats. Both multiplexes are located in modern shopping centres, and are part of the Company's overall strategy of expansion to secondary cities in Poland (which generally have metropolitan populations of between 100,000 and 300,000).

During the first quarter of 2007, the Company closed three older multiplex theatres in Israel – in Ashdod, Karmiel and Ashkelon. These closings, which total 16 screens with approximately 2,895 seats, are in line with the Company's ongoing plans to modernize and upgrade its Israeli chain through the closing of its smallest and oldest multiplexes whilst opening modern state-of-the-art larger multiplex theatres.

The Company's total screen count at the end of March 2007 following the above openings (and closings) is 482 (including 7 IMAX[®] theatres).

During the first quarter of 2007, the Company also continued to grow its film distribution business, mainly by expanding its DVD distribution activities from Hungary to the Czech Republic. The Czech DVD distribution business, which has now been established, is scheduled to commence operations during the second quarter of the year, and will initially distribute DVDs for the Walt Disney Company.

In January 2007, the Company resolved a two year old dispute with the developer of two of the Company's planned multiplex sites in Poland – Wloclawek and Elblag. In early 2005, the developer sought to cancel existing lease agreements entered into with the Company for the development of multiplexes on those sites. Under the settlement, the Company has agreed not to seek to enforce the lease agreements and development of the sites in return for an agreed upon cash payment. The received payment, which, as part of the settlement, the parties agreed to keep confidential, was included in Revenue from theatre operations of the first quarter of 2007, and has therefore contributed to the results of this quarter.

Director's report**Financial information**

The Condensed unaudited Consolidated Financial Statements for the 3 months ended 31 March 2007 have been prepared by management under International Financial Reporting Standards ("IFRS") as adopted by the European Union, adopting the same accounting principles as used in the 2006 Annual Accounts.

Overview of results

The Company's net income for the first quarter of 2007 was EUR 3,825,000 and can be summarized as follows:

	For the 3 months ended 31 March	
	2007	2006
	EUR	
	(thousands, except per share data)	
Revenues	38,189	34,379
Operating costs, excluding depreciation and amortisation	<u>27,861</u>	<u>26,268</u>
Gross result	10,328	8,111
General and administrative expenses	<u>2,124</u>	<u>1,502</u>
EBITDA *	8,204	6,609
Depreciation and amortisation	<u>3,467</u>	<u>3,260</u>
Operating profit	4,737	3,349
Financial income	661	550
Financial expenses	(1,622)	(1,547)
Loss on disposals and write-off of other investments	<u>27</u>	<u>(12)</u>
Net income before net result from associates	3,803	2,340
Net result from associates	<u>-</u>	<u>-</u>
Net income before taxation	3,803	2,340
Income taxes	<u>137</u>	<u>(18)</u>
Net income before minority interests	3,666	2,358
Minority interests	<u>159</u>	<u>253</u>
Net income attributable to equity holders of the parent company	<u>3,825</u>	<u>2,611</u>
Net earnings per ordinary share (basic and diluted of EUR 0.01 each)	<u>0.08</u>	<u>0.06</u>

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

Director's report

Revenues

Total revenues increased by 11.1% from EUR 34.4 million during the quarter ended 31 March 2006 to EUR 38.2 million during the quarter ended 31 March 2007.

Theatre operating revenues increased by 27.7% from EUR 24.6 million during the quarter ended 31 March 2006 to EUR 31.4 million during the quarter ended 31 March 2007. The increase in theatre revenues was mainly as a result of an increase in number of admissions because of strong supply of movies especially in Poland, and as result of the contribution of new cinemas opened in 2006 and in the first quarter of 2007.

The first quarter ended 31 March 2007 also includes amount received as part of the settlement of 2 years old dispute with the developer of the company's planned multiplex sites in Poland Wloclawek and Elblag.

Distribution operating revenues decreased by 33.7% from EUR 8.3 million during the quarter ended 31 March 2006 to EUR 5.5 million during the quarter ended 31 March 2007. The decrease was mainly due to decrease in the distribution activity due to the weak supply of movies. The decrease is partly offset by first time contribution of Forum Home Entertainment Hungary a new subsidiary which is distributing DVDs in Hungary and has started its activities only in September 2006.

Video operating revenues remained at similar level and amounted to EUR 0.9 million both during the quarter ended 31 March 2006 and the quarter ended 31 March 2007.

Other revenues decreased by 33.3% million from EUR 0.6 million during the quarter ended 31 March 2006 to EUR 0.4 million during the quarter ended 31 March 2007. The decrease in other revenues was primarily attributed to the decrease in revenues from the real estate activities.

Director's report

Operating Costs

Operating costs increased by 6.1% from EUR 26.3 million during the quarter ended 31 March 2006 to EUR 27.9 million during the quarter ended 31 March 2007. 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 decreased to 69.6% for the quarter ended 31 March 2007, from 72.8% for the quarter ended 31 March 2006;
- a decrease in distribution operating expenses as a result of the decrease in revenues as described above. Distribution operating expenses, excluding depreciation and amortization, as a percentage of total distribution revenue increased to 94.1% for the the quarter ended 31 March 2007, from 89.7% for the the quarter ended 31 March 2006. This increase is mainly due to the fix nature of some of the distribution related expenses.
- Video operating expenses remained at similar level. Video operating expenses, excluding depreciation and amortization, as a percentage of total video revenue decreased to 66.4% during the quarter ended 31 March 2007 from 75.4% during the quarter ended 31 March 2006.

General and administrative expenses

General and administrative expenses increased by 40% from EUR 1.5 million for the quarter ended 31 March 2006 to EUR 2.1 million during the quarter ended 31 March 2007. General and administrative expenses as a percentage of total revenue increased to 5.6 % for the the quarter ended 31 March 2007, from 4.4% for the quarter ended 31 March 2006. The increase was mainly as a result of the increase in the size of the operation in Poland, the commencements of theater activities in Bulgaria and DVD distribution activities in Hungary.

The company was also required by International Accounting Standards to record some expenses related to the long term incentive plan. Such expenses and increase in management bonuses has also contributed to the increase in the general and administrative expenses.

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EBITDA

As a result of the factors described above, the earnings before interest tax depreciation and amortisation (EBITDA) increased by 24.2% from EUR 6.6 million for the quarter ended 31 March 2006 to EUR 8.2 million for the quarter ended 31 March 2007.

Depreciation and amortisation

Depreciation and amortisation expenses increased by 6.1 % from EUR 3.3 million for the quarter ended 31 March 2006 to EUR 3.5 million for the quarter ended 31 March 2007. This is due to the commencement operation of the Company's new multiplex screens added during 2006 and 2007.

Operating profit

As a result of the factors described above, the operating profit increased by 42.4% from EUR 3.3 million during the quarter ended 31 March 2006 to EUR 4.7 million during the quarter ended 31 March 2007

Financial income/expenses

The balance of financial income and expenses resulted in a net expense of EUR 961 thousands during the quarter ended 31 March 2007 compared to a net expense of EUR 997 million during the quarter ended 31 March 2006. This net decrease is mainly due to the increase in interest income collected on the proceeds from the public offering partly offset by an increase in average borrowings in local currencies throughout 2006 and 2007.

Minority interest

Minority interests for the quarters ended 31 March 2007 and 31 March 2006 comprised the share of minority shareholders in losses from subsidiaries that are not 100% owned by the Company (EUR 0.2 million and EUR 0.3 million respectively).

Net income

As a result of the factors described above, the Company realized a net income of EUR 3.8 million during the quarter ended 31 March 2007 compared to net income of EUR 2.6 million during the quarter ended 31 March 2006.

Director's 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
2007 (1 st quarter)	3.8870	3.8695	3.9320	3.8695
2006 (1 st quarter)	3.8310	3.7726	3.9357	3.9366

Source: National Bank of Poland ("NBP")

Selected financial data	EUR		PLN	
	(thousands, except per share data)			
	For the quarter ended 31 March			
	2007	2006	2007	2006
Revenues	38,189	34,379	148,441	131,706
Operating profit	4,737	3,349	18,413	12,830
Income before taxation	3,803	2,340	14,782	8,965
Net income attributable to Equity holders of the parent company	3,825	2,611	14,868	10,003
Cash flows from operating activities	6,295	3,641	24,469	13,949
Cash flows used in investment activities	(9,554)	(9,306)	(37,136)	(35,651)
Cash flows provided by/(used in) financing activities	(36,872)	5,857	(143,321)	22,438
Increase in cash and cash equivalents	(40,131)	192	(155,989)	736
Total assets	223,225	200,183	863,769	788,040
Provisions	7,021	8,942	27,168	35,201
Long term liabilities	41,042	90,321	158,812	355,557
Short term liabilities	47,680	37,665	184,498	148,272
Shareholders' equity	135,559	72,839	524,546	286,738
Share capital	507	407	1,962	1,602
Average number of equivalent shares	50,724,000	40,724,000	50,724,000	40,724,000
Net earnings per ordinary share (basic and diluted)	0.08	0.06	0.29	0.25

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

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

Director's report

Outlook for the year 2007*

For the remainder of 2007, the Company plans to open approximately 80 additional screens. These include the following projects, all of which are under construction:

- ∅ In Poland, two multiplexes, one in Lublin and one in Gliwice, containing an aggregate of 21 screens. Both are scheduled to open during the second quarter
- ∅ In Budapest, Hungary, a 24 screen "megaplex" project, which will become the Company's largest theatre to date. It will include an IMAX[®] theatre. The project, scheduled to open in the second half of the year, is being built on leased space as part of a new shopping mall and entertainment centre that is now under construction.
- ∅ In the Czech Republic, 10 screen multiplex site under development in Plzen, which is scheduled to be opened before the end of the year.
- ∅ In Israel, 6 screen site in Modien, which is also scheduled to open before the end of the year.
- ∅ In Romania, the Company recently signed lease agreements for three multiplexes in key cities, Lasi Timisoara and Cluj, and currently plans to open at least two of these by the end of the year. These three multiplexes are in addition to the leases previously signed by the Company for three multiplex theatres in Bucharest, scheduled to open in 2008.

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

Director's report**Additional information to the report****Major shareholders**

To the best of the Company's knowledge as of the date of publication of this report for the first quarter of 2007, the following shareholders are entitled to exercise over 5% of voting rights at the General Meeting of Shareholders in the Company:

	As of 14 May 2007	Increase/ (decrease)	As of 31 March 2007	Increase/ (decrease)	As of 31 December 2006
	Number of shares/ % of shares	Number of shares	Number of shares/ % of shares	Number of shares	Number of shares/ % of shares
I.T. International Theaters Ltd.,	32,709,996 / 64.49%	-	32,709,996 / 64.49%	-	32,709,996 / 64.49%
ING Nationale - Nederlanden Polska Otwarty Fundusz Emerytalny	2,616,914 / 5.2%	-	2,616,914 / 5.2%	330,937	2,285,977 / 4.50%

Changes in ownership of shares and rights to shares by Management Board members in the first quarter of 2007 and until the date of publication of the report

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

Shares

	As of 14 May 2007	Increase/ (decrease)	As of 31 March 2007	Increase/ (decrease)	As of 31 December 2006
	Number of shares/ % of shares	Number of shares	Number of shares/ % of shares	Number of shares	Number of shares/ % of shares
Moshe Greidinger*	11,566,255 / 22.8%	-	11,566,255 / 22.8%	-	11,566,255 / 22.8%
Israel Greidinger*	11,566,255 / 22.8%	-	11,566,255 / 22.8%	-	11,566,255 / 22.8%

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

Rights to shares

The members of the Management Board did not own or receive any rights to shares in the Company during the period 31 December 2006 until 14 May 2007.

Director's report

Additional information to the report (cont'd)

Changes in ownership of shares and rights to shares by Supervisory Board members in the first quarter of 2007 and until the date of publication of the report

The members of the Supervisory Board did not own any shares and/or rights to shares in the Company during the period 31 December 2006 until 14 May 2007.

Changes in the composition of the Supervisory Board and Management Board

None.

Other

As of 31 March 2007, the Group has issued guarantees for loans that in total amount to EUR 12 million and Polish zloty 115.5 (EUR 29.8) million in connection with loans provided to subsidiaries.

As of 31 March 2007, the Group has no litigations for claims or liabilities that in total exceed 10% of the Group's equity.

The following net movements in the Group's main provisions took place during the first quarter of the financial year 2007:

- an increase in the provision for deferred tax liabilities of EUR 40,000
- a decrease in the provision for accrued employee retirement rights of EUR 21,000
- a decrease in the provision related to onerous lease contracts of EUR 402,000

The Management Board

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

Amos Weltsch
Management board
Operational Director

Israel Greidinger
Management board
Financial Director

Rotterdam, 14 May 2007

Condensed Consolidated Financial Statements for the quarter ended 31 March 2007

CONDENSED CONSOLIDATED BALANCE SHEET

	31 March 2007 (Unaudited)	31 December 2006 (Audited*)	31 March 2006 (Unaudited)	31 December 2005 (Audited*)
EUR (thousands)				
ASSETS				
FIXED ASSETS				
Intangible fixed assets	803	719	185	198
Property and equipment	174,357	170,554	165,037	166,610
Financial fixed assets	836	796	1,000	1,057
Investment in associate	-	-	2,312	2,283
Total fixed assets	175,996	172,069	168,534	170,148
CURRENT ASSETS				
Inventories	4,353	3,919	3,167	2,998
Trade and other receivables	24,730	24,553	23,127	23,653
Securities	4,766	3,725	54	55
Cash and cash equivalents	13,055	53,194	5,301	5,167
Short term bank deposits - collateralized	325	-	-	-
Total current assets	47,229	85,391	31,649	31,873
TOTAL ASSETS	223,225	257,460	200,183	202,021
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Minority interests	(1,056)	(895)	(642)	(411)
LONG-TERM LIABILITIES				
Long-term loans, net of current portion	31,644	65,739	78,261	73,888
Provisions	7,021	7,495	8,942	9,606
Other long-term liabilities	2,377	2,358	3,118	2,949
Total long-term liabilities	41,042	75,592	90,321	86,443
CURRENT LIABILITIES				
Short-term bank credit	22,811	25,637	18,988	18,299
Other current liabilities	24,869	24,950	18,677	24,573
Total current liabilities	47,680	50,587	37,665	42,872
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	223,225	257,460	200,183	202,021

*) Extracted from the 2006 Annual Accounts.

Condensed Consolidated Financial Statements for the quarter ended 31 March 2007**CONDENSED CONSOLIDATED INCOME STATEMENT**

	For the 3 months ended 31 March 2007 (Unaudited)	For the 3 months ended 31 March 2006 (Unaudited)
	EUR (thousands, except per share data and number of shares)	
Revenues	38,189	34,379
Operating costs	<u>31,328</u>	<u>29,528</u>
Gross margin	6,861	4,851
General and administrative expenses	<u>2,124</u>	<u>1,502</u>
Operating profit	4,737	3,349
Financial income	661	550
Financial expenses	(1,622)	(1,547)
Loss on disposals and write-off of other investments	<u>27</u>	<u>(12)</u>
Income before taxation	3,803	2,340
Income taxes	<u>137</u>	<u>(18)</u>
Net income before minority interests	<u>3,666</u>	<u>2,358</u>
Attributable to:		
Equity holders of the Parent Company	3,825	2,611
Minority interests in loss of consolidated subsidiaries	<u>(159)</u>	<u>(253)</u>
Net income before minority interests	<u>3,666</u>	<u>2,358</u>
Weighted average number of equivalent shares	<u>50,724,000</u>	<u>40,724,000</u>
Net earnings per ordinary share (basic and diluted) of EUR 0.01 each	<u>0.08</u>	<u>0.06</u>

Condensed Consolidated Financial Statements for the quarter ended 31 March 2007**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	For the 3 months ended 31 March 2007 (Unaudited)	For the 3 months ended 31 March 2006 (Unaudited)
Balance as of the beginning of the period	132,176	73,117
Net income for the period	3,825	2,611
Share based payment	75	-
Public offering related costs (*)	(125)	-
Foreign currency translation adjustment	<u>(392)</u>	<u>(2,889)</u>
Balance at the end of the period	<u><u>135,559</u></u>	<u><u>72,839</u></u>

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

CONDENSED STATEMENT OF RECOGNISED INCOME AND EXPENSES

	For the 3 months ended 31 March 2007 (Unaudited)	For the 3 months ended 31 March 2006 (Unaudited)
Foreign exchange translation differences before minority interest	(394)	(2,867)
Net income recognised directly in equity	<u>(394)</u>	<u>(2,867)</u>
Net income before minority interest	3,666	2,358
Total recognised income and expense for the period	<u><u>3,272</u></u>	<u><u>(509)</u></u>
Attributable to:		
Equity holders of the Company	3,433	(278)
Minority interests	(161)	(231)
Total recognised income and expense for the period	<u><u>3,272</u></u>	<u><u>(509)</u></u>

Condensed Consolidated Financial Statements for the quarter ended 31 March 2007**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	For the 3 months ended 31 March 2007 (Unaudited)	For the 3 months ended 31 March 2006 (Unaudited)
Cash flows from operating activities	6,223	3,641
Cash flows from investing activities	(9,482)	(9,306)
Cash flows from financing activities	(36,872)	5,857
Effect of changes in consolidation	<u>-</u>	<u>-</u>
Increase/(decrease) in cash and cash equivalents	(40,131)	192
Cash and cash equivalents at the beginning of the period	53,194	5,167
Foreign currency exchange differences on cash	(8)	(58)
Cash and cash equivalents at the end of the period	<u>13,055</u>	<u>5,301</u>

Condensed Consolidated Financial Statements for the quarter ended 31 March 2007

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

(a) The accompanying Condensed Consolidated Financial Statements present the financial position per 31 March 2007, results of operations, changes in shareholders' equity, and cash flows for the quarter ended 31 March 2007 of Cinema City International N.V. ("the Company") and its subsidiaries (together referred to as "the Group") and the Group's interest in associates. The 31 March 2007 Condensed Consolidated Financial Statements were authorised for issue by the management board members on 14 May 2007.

(b) Cinema City International N.V., incorporated in the Netherlands. The shares in the Company are traded on the Warsaw Stock Exchange. 64.5% 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 and Israel. The Company is also engaged in managing and establishing its own entertainment real estate projects for rental purposes, in which the Company operates motion picture theatres. In addition, the Company is involved in short-term and long-term real estate trading in Central Europe. The Company's business is in large dependent both upon the availability of suitable motion pictures from third parties for exhibition in its theatres, and the performance of such films in the Company's markets.

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

The Condensed Consolidated Balance Sheets as of 31 March 2007 and as of 31 March 2006, the Condensed Consolidated Income Statement, the Condensed Consolidated Statements of changes in Shareholders' Equity, the Condensed Statement of recognized income and expenses and the Condensed Consolidated Statements of Cash Flows for the 3 months ended 31 March 2007 and for the 3 months ended 31 March 2006 have not been audited. The Condensed Consolidated Balance Sheet as of 31 December 2006 and as of 31 December 2005, the Condensed Consolidated Income Statement for the years ended 31 December 2006 and 31 December 2005, the Condensed Consolidated Statement of Cash Flows for the years ended 31 December 2006 and 31 December 2005, and the Condensed Statement of Shareholders' Equity for the years ended 31 December 2006 and 31 December 2005 are extracted from the 2006 Annual Accounts.

The Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. In the preparation of these financial statements, the Company has followed the same accounting policies used in the Company's 2006 Annual Accounts. The Company's 2006 Annual Accounts have been prepared in accordance with IFRS adopted by the EU to be used for preparation of consolidated financial reporting. The 31 March 2007 Condensed Consolidated Financial Statements should be read in conjunction with the audited 2006 Annual Accounts. In addition, the Company has adopted the standards and interpretations with an effective date before 31 March 2007.

Condensed Consolidated Financial Statements for the quarter ended 31 March 2007

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

B. Functional and presentational currency

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

The financial statements of the above mentioned foreign operations are translated from the functional currency into euros (presentation currency) for both 2006 and 2007 as follows:

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

C. Use of estimates and judgements

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

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

D. Principles of consolidation

These Condensed unaudited Consolidated Financial Statements include the accounts of the Company, its subsidiaries, and jointly controlled entities. Subsidiaries are those enterprises which are controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control effectively commences until the date that control effectively ceases. Jointly controlled entities are those enterprises over whose activities the Company has joint control, established by contractual agreements. The Consolidated Financial Statements include the Company's proportionate share of the enterprises' assets, liabilities, revenues and expenses with items of similar nature on a line-by-line basis, from the date that joint control commences until the date that joint control ceases.

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 10.

Condensed Consolidated Financial Statements for the quarter ended 31 March 2007**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					
<u>As of 31 March</u>	<u>Czech Crown (CZK)</u>	<u>Hungarian Forint (HUF)</u>	<u>Polish Zloty (PLN)</u>	<u>US Dollar (USD)</u>	<u>Israeli Shekel (NIS)</u>
2007	28.05	248.33	3.87	1.33	5.55
2006	27.53	252.90	3.86	1.32	5.56
<u>Change during the quarter</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
2007	1.89	(1.81)	0.26	0.76	(0.18)
2006	(5.07)	0.11	0.00	11.86	2.02
Exchange rate of Euro					
<u>Average for the quarter</u>	<u>Czech Crown (CZK)</u>	<u>Hungarian Forint (HUF)</u>	<u>Polish Zloty (PLN)</u>	<u>US Dollar (USD)</u>	<u>Israeli Shekel (NIS)</u>
2007	28.05	253.04	3.90	1.31	5.53
2006	28.37	264.91	3.91	1.26	5.59
<u>Change year over year</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
2007	(1.13)	(4.48)	(0.26)	3.97	(1.07)
2006	(4.80)	6.59	(2.98)	0.80	0.18

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Note 3 – Changes in Consolidated Entities

A. Changes in consolidated and associated entities during the first quarter of 2007:

None

B. Changes in consolidated entities during 2006:

- (a) In May 2006, the Israeli government anti-monopoly office approved the merger of the Company's video retail operations in Israel, which operate under the brand name Video Giant., with its main competitor, Blockbuster. Under the agreement signed between the parties, Video Giant and Kafan Video Libraries Ltd. (operator of the Blockbuster video libraries in Israel) formed a 50/50 joint venture to operate the combined video chain under the brand name Blockbuster. The Company will provide the MD (chief executive officer) for the new JV, while Kafan will provide the chairman of the board. The JV will be jointly controlled between Kafan and the Company and the Company has consolidated the results of operations of this entity proportionally.
- (b) In June 2006, the Company sold its remaining 25% interest in the MO Sofia EAD. The Company has received EUR 13.1 million.
- (c) Forum Film Home Entertainment KFT 100% shares -new subsidiary incorporated in Hungary. The company commenced its operation in September 2006 and specializes in video and DVD distribution in Hungary. This distribution company is expected to be the exclusive distributor of the Film DVD activity of 2 major US studios: Warner Bros and Sony (Columbia).
- (d) New Age Cinema KFT 100% shares -new subsidiary, incorporated in Hungary. The Company commenced operation in October 2006 and specializes in screen advertising.

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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 2006 was 40,724,000. At 5 December 2006, as part of the Initial Public Offering of the Company's shares, the Company issued 10,000,000 ordinary shares. As a result of the share issue in 2006, the total number of shares issued and outstanding at 31 December 2006 and at 31 March 2007 totalled 50,724,000. All shares issued and outstanding at 31 March 2007 have been fully paid up.

Note 5 – Commitments and contingent liabilities

The Company and its subsidiaries did not enter into any new agreements or contracts which resulted in additional significant commitments or contingent liabilities since 31 December 2006. The commitments, contingent liabilities and liens as disclosed in the Company's 2006 Annual Accounts for the year ended 31 December 2006 have not materially changed as at 31 March 2007.

As of 31 March 2007, the Group has guarantees for loans that in total amount to EUR 12 million and Polish zloty 115.5 million (EUR 29.8 million) in connection with loans provided to subsidiaries.

Cinema City Poland Sp. z o.o., a 100% owned by the company, is the defendant in a claim brought by Związek Autorów i Kompozytorów ("Zaiks"), a Polish collection society representing screenplay authors and authors of other literary and musical works used in audiovisual works that are exhibited in Poland. The Company understands that ZAIKS has also brought similar claims against every other major cinema exhibitor and cable TV operators in Poland. The claimant seeks royalties in the amount of approximately €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 action to have a material effect on the Group's financial position.

Toward the end of February 2007, the Company learned that one of its main Polish competitors lost a similar case before the "second instance" court in Poland. Based on the advice of the Company's lawyers, the Management Board maintain the position that the complaint has no merit and the plaintiff has no standing. The Company will continue to defend the case vigorously.

The company has accrued for future legal expenses in connection with the case in the balance sheet as per 31 December 2006.

Note 6 – Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Company's business. These risks are described in fuller detail in the 2006 Annual Accounts. As at 31 March 2007, the Company has hedged some of its USD and EUR expenses through March 2007 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 at fixed prices denominated in Polish Zloty, and forward foreign exchange contracts comprising a commitment to buy USD 195,000 at the beginning of each month during 2007 at fixed prices denominated in Hungarian forint. These forward foreign exchange contracts have been valued in the consolidated balance sheet at 31 March 2007 at their fair value.

Condensed Consolidated Financial Statements for the quarter ended 31 March 2007**Note 7 - Segment Reporting**

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

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

	For the 3 months ended 31 March 2007					
	EUR (thousands) – (unaudited)					
	Theatre Operations	Distribution	Video & DVD	Other	Eliminations	Consolidated
Revenues						
External sales	31,375	5,494	921	399		38,189
Inter-segment sales		1,372	91		(1,463)	-
Total revenues	<u>31,375</u>	<u>6,866</u>	<u>1,012</u>	<u>399</u>	<u>(1,463)</u>	<u>38,189</u>
Segment results	<u>4,893</u>	<u>(96)</u>	<u>(69)</u>	<u>9</u>		<u>4,737</u>
Net financial expense						(961)
Gain and loss on disposals						27
Income taxes						(137)
Minority interests						<u>159</u>
Net income						<u>3,825</u>
	31 March 2007					
	EUR (thousands) – (unaudited)					
	Theatre Operations	Distribution	Video & DVD	Other	Unallocated	Consolidated
Segment assets	<u>184,226</u>	<u>12,233</u>	<u>2,700</u>	<u>15,506</u>	<u>8,560*</u>	<u>223,225</u>
Segment liabilities	<u>23,122</u>	<u>4,780</u>	<u>1,360</u>	<u>1,720</u>	<u>56,684</u>	<u>87,666</u>
Capital expenditure	<u>7,666</u>	<u>-</u>	<u>210</u>	<u>37</u>	<u>-</u>	<u>7,913</u>

*includes the proceeds from the public offering held in cash as per 31 March 2006.

Condensed Consolidated Financial Statements for the quarter ended 31 March 2007**Note 7 - Segment Reporting (cont'd)**

For the 3 months ended 31 March 2006						
EUR (thousands) – (unaudited)						
	Theatre Operations	Distribution	Video & DVD	Other	Eliminations	Consolidated
Revenues						
External sales	24,603	8,285	903	588	-	34,379
Inter-segment sales		2,522	74	-	(2,596)	-
Total revenues	<u>24,603</u>	<u>10,807</u>	<u>977</u>	<u>588</u>	<u>(2,596)</u>	<u>34,379</u>
Segment results	<u>2,906</u>	<u>581</u>	<u>(277)</u>	<u>139</u>	<u>-</u>	<u>3,349</u>
Net financial expense						(997)
Loss on disposals and other write-offs						(12)
Net loss from associates						-
Income taxes						18
Minority interests						<u>253</u>
Net income						<u>2,611</u>

31 March 2006						
EUR (thousands) – (unaudited)						
	Theatre Operations	Distribution	Video & DVD	Other	Unallocated	Consolidated
Segment assets	<u>164,461</u>	<u>7,387</u>	<u>2,535</u>	<u>24,800</u>	<u>1,000</u>	<u>200,183</u>
Segment liabilities	<u>22,793</u>	<u>3,793</u>	<u>1,342</u>	<u>441</u>	<u>98,975</u>	<u>127,344</u>
Capital expenditure	<u>4,880</u>	<u>11</u>	<u>43</u>	<u>386</u>	<u>-</u>	<u>5,320</u>

Condensed Consolidated Financial Statements for the quarter ended 31 March 2007

Note 8 – Share-based payments

Towards the end of 2006, 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 are granted to members of the Management Board and selected employees. The exercise price of the granted options 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 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. Members of the Management Board did not receive any options during 2006. The vesting dates of the options are as follows:

	Number of options
6 December 2007	159,000
6 December 2008	159,000
6 December 2009	159,000
	<u>477,000</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 costs impact of the share-based payment on the financial statements of the Company was an expense of EUR 75,000 recognised in the income statement with a corresponding increase in equity.

Note 9 – Related party transactions

There were no material transactions and balances with related parties during the first quarter of 2007.

Condensed Consolidated Financial Statements for the quarter ended 31 March 2007**Note 10 - Details of corporations in the Group**

	31 March 2007			
	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)
Kino 2005 a.s.	100%	100%	Full	(3)
Cinema City Finance B.V.	100%	100%	Full	(1)
Cinema City Poland Sp.Zoo	100%	100%	Full	(4)
IT Development 2003	100%	100%	Full	(4)
I.T. Czech Cinemas S.R.O.	100%	100%	Full	(3)
I.T. Sofia 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)
Mall of Plovdiv EOOD	30%	30%	Not consolidated-held for sale	(5)
Cinema City Romania S.R.L	100%	100%	Not active	(7)
(1) A holding company in the Netherlands.	(5) Bulgarian corporation.			
(2) Hungarian corporation.	(6) Israeli corporation..			
(3) Czech corporation.	(7) Romanian corporation.			
(4) Polish corporation				

The details of corporation during 2006 were similar to the details of corporation during the first quarter of 2007 as shown above.

Associate companies valued using the equity method:

- MO Sofia EAD, Bulgaria in which the Company held a 25% interest from 30 June 2005 through early January 2006 (before 30 June 2005: a 50% interest which was proportionally consolidated).

Condensed Consolidated Financial Statements for the quarter ended 31 March 2007**Note 11 – Condensed unconsolidated financial statements of Cinema City International N.V.****Condensed unconsolidated balance sheet as at 31 March 2007**

	31 March 2007 (Unaudited)	31 December 2006 (Audited*)	31 March 2006 (Unaudited*)	31 December 2005 (Audited*)
EUR (thousands)				
ASSETS				
FIXED ASSETS				
Property and equipment	30	30	1,757	1,755
Investments in subsidiaries	129,297	125,903	72,529	62,685
Loans to subsidiaries	-	-	-	2,944
Total fixed assets	129,327	125,933	74,286	67,384
CURRENT ASSETS				
Trade and other receivables	693	3,413	828	8,364
Cash and cash equivalents	7,724	45,758	2,081	1,436
Total current assets	8,417	49,171	2,909	9,800
TOTAL ASSETS	137,744	175,104	77,195	77,184
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital	507	507	407	407
Premium on share capital	89,820	89,945	43,553	43,553
Other reserves	36,832	25,019	24,999	17,089
Net profit for the year	3,825	11,738	2,611	7,910
Accumulated currency translation adjustments	4,575	4,967	1,269	4,158
Total shareholders' equity	135,559	132,176	72,839	73,117
CURRENT LIABILITIES				
Other current liabilities	2,185	42,928	4,356	4,067
Total current liabilities	2,185	42,928	4,356	4,067
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	137,744	175,104	77,195	77,184

*) Extracted from the 2006 Annual Accounts

Condensed Consolidated Financial Statements for the quarter ended 31 March 2007**Note 11 – Condensed unconsolidated financial statements (cont'd)****Condensed unconsolidated income statement**

	For the 3 months ended 31 March 2007 (Unaudited)	For the 3 months ended 31 March 2006 (Unaudited)
	EUR	
	(thousands, except per share data and number of shares)	
Revenues	-	-
General and administrative expenses	<u>284</u>	<u>171</u>
Operating profit	(284)	(171)
Financial income	329	11
Financial expenses	(68)	(9)
Currency exchange result	<u>-</u>	<u>-</u>
Income before taxation	(23)	(169)
Income taxes	<u>-</u>	<u>-</u>
Income after taxation	(23)	(169)
Result from subsidiaries after taxation	<u>3,848</u>	<u>2,780</u>
Net income	<u><u>3,825</u></u>	<u><u>2,611</u></u>
Weighted average number of equivalent shares	<u><u>50,724,000</u></u>	<u><u>40,724,000</u></u>
Net earnings per ordinary share (basic and diluted) of EUR 0.01 each	<u><u>0.08</u></u>	<u><u>0.06</u></u>

Condensed Consolidated Financial Statements for the quarter ended 31 March 2007**Note 11 – Condensed unconsolidated financial statements (cont'd)****Condensed unconsolidated statement of changes in shareholders' equity**

	For the 3 months ended 31 March 2007 (Unaudited)	For the 3 months ended 31 March 2006 (Unaudited)
	EUR (thousands)	
Balance as of the beginning of the period	132,176	73,117
Net income for the period	3,825	2,611
Share based payment	75	-
Public offering related costs(*)	(125)	-
Foreign currency translation adjustment	<u>(392)</u>	<u>(2,889)</u>
Balance at the end of the period	<u>135,559</u>	<u>72,839</u>

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

Condensed unconsolidated cash flow statement

	For the 3 months ended 31 March 2007 (Unaudited)	For the 3 months ended 31 March 2006 (Unaudited)
	EUR (thousands)	
Cash flows from operating activities	(38,181)	2,129
Cash flows from investing activities	72	(1,484)
Cash flows from financing activities	<u>75</u>	<u>-</u>
Increase/(decrease) in cash and cash equivalents	(38,034)	645
Cash and cash equivalents at the beginning of the period	<u>45,758</u>	<u>1,436</u>
Cash and cash equivalents at the end of the period	<u>7,724</u>	<u>2,081</u>

Condensed Consolidated Financial Statements for the quarter ended 31 March 2007

Note 11 – 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 2006 Annual Accounts and have remained unchanged. In the preparation of these financial statements, the Company has followed the same accounting policies as used for the Condensed Consolidated Financial Statements as referred to in Note 2 A. The Company's 2006 Annual Accounts have been prepared in accordance with IFRS adopted by the EU to be used for preparation of consolidated financial reporting. The 31 March 2007 Condensed Unconsolidated Financial Statements should be read in conjunction with the audited 2006 Annual Accounts. In addition, the Company has adopted the standards and interpretations with an effective date before 31 March 2007.

As the significant event for the Group also apply to the Company on a stand-alone basis, reference is made to the Directors' Report where the highlights during the first quarter of 2007 are described.