

**Cinema City International N.V.**  
**Quarterly Consolidated Financial Report**  
**for the nine months ended**  
**30 September 2008**

**Quarterly Report for the nine months ended 30 September 2008**

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**Director's report**

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**DIRECTORS' REPORT****General****Introduction**

Cinema City International N.V. (the "Company"), incorporated in the Netherlands, is a subsidiary of I.T. International Theatres Ltd. The Company (together with its subsidiaries- the "Group") is principally engaged in the operation of entertainment activities in various countries including: Poland, Hungary, Czech Republic, Romania, Bulgaria and Israel. The Company, through related entities, has been a family operated theatre business since 1929. The Company's shares are traded on the Warsaw Stock Exchange. As of 12 November 2008 the market share price was PLN 15 (EUR 3.97) giving the Company a market capitalization of EUR 202 million. The Company's office is located in Rotterdam, the Netherlands.

**Highlights during the nine months ended 30 September 2008**

The nine months ended 30 September 2008 was a successful period for the Company, with revenues, EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortization) and net income all having increased in comparison to the nine months ended 30 September 2007 (which itself was also a strong period). Consolidated EBITDA increased from EUR 26.6 million in the first nine months of 2007 to EUR 31.5 million for the first nine months of 2008. Net income increased from EUR 13.0 million for the first nine months of 2007 to EUR 14.7 million for the first nine months of 2008.

The Company's theatre operations performed well during the nine months ended 30 September 2008, supported, mainly by the continued growth of the Company's cinema activities. The new screens the Company opened during 2007, including the first two multiplexes that were opened in Romania towards the end of 2007, had their first full nine months of operations in 2008, which, together with the addition of 23 screens in Budapest (Hungary), 10 screens in Pilzen (the Czech Republic), 13 screens in Bydgoszcz (Poland), 6 screens in Modiin (Israel) and 23 screens in Haifa ( Israel), all of which opened during the first nine months of 2008, added to the positive results of the Company's theatre operations, both in terms of number of admissions sold and in EBITDA. Even though the third quarter this year did not produce a strong box office hit like last year's "*Shrek the Third*", overall ticket sales met the Company's expectations. "Same cinema" ticket revenues increased in the third quarter of 2008 compared to the same quarter in 2007, as higher average ticket prices and strong local currencies compared to last year have compensated for the lack of a major blockbuster during the period.

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

**Highlights of the Company's theatre operations for the nine months ended 30 September 2008 are as follows:**

In January 2008, the Company opened the largest Central European megaplex and IMAX<sup>®</sup> theatre, a 23-screen state-of-the-art flagship theatre with a total of 3,800 seats, in Budapest, Hungary, which solidified the Company's position as one of the two key cinema operators in the Hungarian market. This theatre has significantly enhanced the Company's presence in the key Budapest market. It also unveiled the only IMAX<sup>®</sup> theatre in Hungary.

## Director's report

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In March, the Company opened a 10-screen multiplex site in Pilzen in the Czech Republic.

In March, the Company closed its 8 screen multiplex in the Arena mall in Herzelia, Israel. Unlike previous closures, Arena was not closed for obsolescence, but rather because the mall owner, which is a third party, was interested in using the multiplex space for other purposes and offered the Company compensation in return for an early termination of the lease. As the Company owns a second multiplex in the same city, it accepted the mall owner's offer. The compensation was included in Revenues from Theatre Operations, and therefore contributed to the results of the first nine months. In a similar vein, the Company's revenues from theatre operations for the nine months ended 30 September 2007, included compensation for the termination of the lease agreements in two Polish theatres that were under dispute.

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

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

In June 2008, the Company closed a 7 screen multiplex in Csepel, Hungary, with the expiration of its 10-year lease agreement that had commenced in December 1997 and was extended for 6 months past its original term. The Company decided not to extend the lease in light of the new megaplex the Company opened in Budapest earlier in the year and the relatively poor performance of this multiplex in the last year.

In July 2008, the Company opened a 23 screen multiplex in Haifa, Israel. This is the second of the Company's new generation of "Planet" theatres in Israel, and is expected to follow the success of the Company's "Yes" sponsored Planet theatre that was opened in Ramat Gan in 2006. At the time the new Haifa theatre opened, as planned, the Company closed its three older cinemas in Haifa, with a total of 15 screens, thereby creating an eight screen net gain in Haifa..

In September 2008, the Company closed a 4 screen multiplex in Netanya, Israel. The theatre in Netanya opened in 1989. Its original lease was extended in 1999 for a second 10-year period, which was expected to end in February 2009. However, due to the recent relative low performance of this cinema, the Company agreed with the landlord on an early termination of the lease at the end of last August (which coincided with the end of the strong summer movie season).

The Company's total screen count at the end of the nine months ended 30 September 2008, taking into account the above openings (and closings) is 552 (including 8 IMAX<sup>®</sup> theatres), as compared to 503 screens (including 7 IMAX<sup>®</sup> theatres) at 30 September 2007.

In October 2008, the Company opened a 9 screen multiplex in Zielona Cora, Poland and a 10 screen multiplex in Cluj, Romania.

In a number of the Company's newest multiplexes opened earlier this year, including its Budapest, Hungary and Haifa, Israel the Company has begun to install state-of-the-art digital projectors. The Company intends to install up to 50 such projectors in its leading multiplexes throughout its cinema chain by the end of the year. The digital projectors will provide a higher quality, sharper resolution viewing experience, the ability to display new generation 3D movies and the flexibility to show alternative content. The Company also believes that in the long term, digital technology can help reduce cinema labor costs as digital projectors require less ongoing manpower than traditional reel to reel projectors.

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### **Highlights of the Company's film distribution and DVD rental operations for the nine months ended 30 September 2008 are as follows:**

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

On October 30<sup>th</sup>, the Company signed an agreement to sell, together with its 50% joint venture partner, its Israeli video and DVD film rental and sale business, which had been conducted through Blockbuster Israel. NMC-United purchased the business for NIS 6.8 million (approximately EUR 1.4 million). Once this agreement, which is subject to customary closing conditions, is complete, the Company will cease this line of activity, which had become increasingly immaterial to the Company's overall operations in recent years. For the 9 months ended September 30, 2008, the business accounted for 1.6% of the Company's revenues.

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

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

The Mall of Plovdiv is in an advanced phase of construction. It will comprise 25,000 square meters of leasable space, including an 8 screen multiplex. The opening of the mall is planned for the spring of 2009. In August 2007, the Company sold 15% of its then 30% interest in the Mall of Plovdiv. The Company's remaining 15% holding in the Mall of Plovdiv will be sold to the same buyers based on an agreed formula prior to the opening.

The construction of the Mall of Russe commenced earlier this year, with close to 40% of the mall already being pre-leased. The shopping centre will comprise 35,000 square meters of leasable area and will include a multiplex. The Company's nine-month 2008 results were also positively impacted by the Company's previously disclosed revaluation of its investment in the Mall of Russe, which accounted for EUR 6,790,000 in revenue.

In July 2008, the Company finalized the purchase of 55% of the equity in the Mall of Stara Zagora (M.O. Stara Zagora OOD), which included the 27.5% interest that was initially to be purchased by its original partner Ocif Eastern Europe Ltd. The other 45% of the Mall of Stara Zagora's equity is still held by the original shareholders of the local company. The total purchase price was EUR 5.4 million. The Stara Zagora project includes a plot of land that will be used for the construction of a shopping mall with a Cinema City multiplex located therein.

In September 2008, the Company completed its EUR 18 million acquisition from its former partner, Ocif Eastern Europe Ltd., of its 15% interest in the Mall of Plovdiv and its 45% interest in the Mall of Russe. With the closing of the transaction, the Company increased its interest in the Mall of Plovdiv AD from 15% to 30%, and its interest in the Mall of Russe from 45% to 90%. After the end of the third quarter of 2008, in October 2008, the Company purchased the remaining 10% in the Russe project from the minority partner for a price of EUR 3 million, pursuant to an option arrangement that the parties put in place at the time of the original land purchase in July 2007.

The transaction with Ocif in September 2008 was driven by Ocif's failure to satisfy certain commitments to the Company (including meeting payment deadlines) under the Bulgarian partnership agreement, and the Company's subsequent decision to buy out Ocif's interest because of ongoing concerns on Ocif's ability to meet future obligations. Management currently plans to find a new partner to replace Ocif as joint venture partner in

## **Director's report**

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the Stara Zagora and the Russe projects with an equal shareholding. Considering the Company's decision to hold its initial interest in these Bulgarian shopping mall projects as investments for the foreseeable future and to benefit from future rental income out of the shopping mall once completed and from its capital appreciation, the 27.5% long-term interest in Mall of Stara Zagora and the 45% long-term investment in Mall of Rouse are accounted for in the Company's consolidated financial statements as Investment property (land portion) and Property and equipment (construction part), respectively (see also Notes 3A and 5 to the Condensed Consolidated Financial Statements). The other half of the interests in the Mall of Stara Zagora and in the Mall of Russe which the Company is seeking to sell to a new partner as well as the entire 30% interest in the Mall of Plovdiv, which is to be sold prior to the opening of the mall (expected opening in the spring of 2009), are carried in the Company's consolidated balance sheet as "held for sale". If, however, market or other circumstances will not make it possible to find a reliable partner at the right price, the Company is not precluding the possibility of retaining the Stara Zagora and Russe projects for a longer period and to continue the development of these properties on its own.

## **Financial information**

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

**Director's report****Overview of results**

The Company's net income for the nine months ended 30 September 2008 was EUR 14,661,000 and can be summarized as follows:

	<b>For the nine months ended 30 September</b>	
	<b>2008</b>	<b>2007</b>
	<b>EUR</b>	
	<b>(thousands, except per share data)</b>	
Revenues	<b>140,053</b>	121,772
Operating costs, excluding depreciation and amortisation	<b>101,115</b>	89,054
<b>Gross result</b>	<b>38,938</b>	32,718
General and administrative expenses	<b>7,389</b>	6,095
<b>EBITDA *</b>	<b>31,549</b>	26,623
Depreciation and amortisation	<b>14,021</b>	11,036
<b>Operating profit</b>	<b>17,528</b>	15,587
Financial income	<b>2,750</b>	1,436
Financial expenses	<b>(4,569)</b>	(4,386)
Gain/(loss) on disposals and write-off of other investments	<b>(81)</b>	20
<b>Net income before taxation</b>	<b>15,628</b>	12,657
Income taxes	<b>(1,460)</b>	(473)
<b>Net income before minority interests</b>	<b>14,168</b>	12,184
Minority interests	<b>493</b>	829
<b>Net income attributable to equity holders of the parent company</b>	<b>14,661</b>	13,013
Weighted average number of equivalent shares	<b>50,834,000</b>	50,724,000
Weighted average number of equivalent shares (diluted)	<b>50,938,647</b>	50,960,115
Net earnings per ordinary share (basic and diluted of EUR 0.01 each)	<b>0.29</b>	0.26

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

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### Revenues

Total revenues increased by 15.0% from EUR 121.7 million during the nine months ended 30 September 2007 to EUR 140.0 million during the nine months ended 30 September 2008.

Theatre operating revenues increased by 21.7% from EUR 92.6 million during the nine months ended 30 September 2007 to EUR 112.7 million during the nine months ended 30 September 2008. The increase in theatre revenues mainly resulted from an increase in number of admissions, driven mainly by the contribution of new cinemas opened in 2007 and in the first nine months of 2008, and by the strength of the local currencies in the various countries where the Company is active.

Distribution operating revenues increased by 0.6% from EUR 16.5 million during the nine months ended 30 September 2007 to EUR 16.6 million during the nine months ended 30 September 2008.. The increase was mainly due to the commencement of the distribution activities in the Czech Republic during the second half of 2007 having a full first half year of activities in 2008, partly offset by a reduction in distribution revenue in Poland, Israel and Hungary.

Video operating revenues decreased by 20.7% from EUR 2.9 million during the nine months ended 30 September 2007 to EUR 2.3 million during the nine months ended 30 September 2008. Video operation revenues are generated only in Israel, and the Company has signed an agreement to sell this operation as described above.

Other revenues, which include real estate activities, decreased by 13.4% from EUR 9.7 million during the nine months ended 30 September 2007 to EUR 8.4 million during the nine months ended 30 September 2008. This was mainly attributed to the fact that the revenue generated from the revaluation of the Company's interest in the Mall of Russe was lower than the revenue generated from the sale of the first 50% of the Mall of Plovdiv during the first half of 2007. The contribution to the profit remained, however, at a similar level.

### Operating Costs

Operating costs increased by 13.5% from EUR 89.1 million during the nine months ended 30 September 2007 to EUR 101.1 million during the nine months ended 30 September 2008. This increase resulted primarily from the net effect 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 increased to 74.2% for the nine months ended 30 September 2008, from 73.3% for the nine months ended 30 September 2007.
- A decrease in distribution operating expenses. Distribution operating expenses, excluding depreciation and amortization, as a percentage of total distribution revenue decreased to 94% for the nine months ended 30 September 2008, from 99% for the nine months ended 30 September 2007. The reduction in the relative part of operating expenses as a percentage of total revenue was mainly due to improved distribution margins in Israel.
- Video operating expenses, excluding depreciation and amortization, as a percentage of total video revenue increased to 80.3% during the nine months ended 30 September 2008 from 59.8% during the nine months ended 30 September 2007.

## **Director's report**

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### **General and administrative expenses**

General and administrative expenses increased by 21.3% from EUR 6.1 million for the nine months ended 30 September 2007 to EUR 7.4 million during the nine months ended 30 September 2008. General and administrative expenses as a percentage of total revenue increased to 5.3% for the the nine months ended 30 September 2008, from 5.0% for the nine months ended 30 September 2007. The increase was mainly a result of the increase in the size of the operation in Poland, the commencement of theatre activities in Romania and DVD distribution activities in the Czech Republic and the strengthening of local currencies in comparison to the EUR.

### **EBITDA**

As a result of the factors described above, the Earnings before Interest Tax Depreciation and Amortisation (EBITDA) increased by 18.4% from EUR 26.6 million for the nine months ended 30 September 2007 to EUR 31.5 million for the nine months ended 30 September 2008.

### **Depreciation and amortisation**

Depreciation and amortisation expenses increased by 27.3% from EUR 11.0 million for the nine months ended 30 September 2007 to EUR 14.0 million for the nine months ended 30 September 2008. This was primarily due to the commencement of operations of the Company's new multiplexes added during 2007 and the nine months ended 30 June 2008 and also to the depreciation of the fixed assets related to the closing of the Arena Multiplex in Israel during the nine months ended 30 September 2008.

### **Operating profit**

As a result of the factors described above, the operating profit increased by 12.2 % from EUR 15.6 million during the nine months ended 30 September 2007 to EUR 17.5 million during the nine months ended 30 September 2008.

### **Financial income/expenses**

The balance of financial income and expenses resulted in a net expense of EUR 1.8 million during the nine months ended 30 September 2008 compared to a net expense of EUR 3.0 million during the nine months ended 30 September 2007. This decrease is mainly due to exchange rate changes mainly in Poland and due to capitalization of interest costs with respect to the investment in the Mall of Russe project.

### **Minority interest**

Minority interests for the nine months ended 30 September 2008 and 30 September 2007 was comprised of the share of minority shareholders in losses from subsidiaries that are not 100% owned by the Company (EUR 0.5 million and EUR 0.8 million respectively).

### **Net income**

As a result of the factors described above, the Company realized a net income of EUR 14.7 million during the nine months ended 30 September 2008 compared to net income of EUR 13.0 million during the nine months ended 30 September 2007.

**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
<b>2008 (9 months)</b>	3.4294	3.2026	3.6577	3.4083
<b>2007 (9 months)</b>	3.8314	3.7443	3.9385	3.7775

Source: National Bank of Poland ("NBP")

**Selected financial data**

	EUR		PLN	
	(thousands, except per share data)			
	For the nine months ended 30 September			
	2008	2007	2008	2007
Revenues	<b>140,053</b>	121,772	<b>480,298</b>	466,557
Operating profit	<b>17,528</b>	15,587	<b>60,111</b>	59,720
Income before taxation	<b>15,628</b>	12,657	<b>53,595</b>	48,494
Net income attributable to Equity holders of the parent company	<b>14,661</b>	13,013	<b>50,278</b>	49,858
Cash flows from operating activities	<b>21,686</b>	21,918	<b>74,370</b>	83,977
Cash flows used in investment activities	<b>(55,174)</b>	(28,299)	<b>(189,214)</b>	(108,425)
Cash flows provided by/(used in) financing activities	<b>34,286</b>	(37,559)	<b>117,580</b>	(143,904)
Increase in cash and cash equivalents	<b>1,223</b>	(43,867)	<b>4,194</b>	(168,072)
Total assets	<b>311,504</b>	234,067	<b>1,061,699</b>	884,188
Provisions	<b>5,866</b>	6,183	<b>19,993</b>	23,356
Long term liabilities	<b>65,724</b>	45,623	<b>224,007</b>	172,341
Short term liabilities	<b>68,762</b>	43,497	<b>234,361</b>	164,310
Shareholders' equity	<b>179,700</b>	146,649	<b>612,471</b>	553,967
Share capital	<b>508</b>	507	<b>1,731</b>	1,915
Average number of equivalent shares	<b>50,834,000</b>	50,724,000	<b>50,834,000</b>	50,724,000
Average number of equivalent shares (diluted)	<b>50,938,647</b>	50,960,115	<b>50,938,647</b>	50,960,115
Net earnings per ordinary share (basic and diluted)	<b>0.29</b>	0.26	<b>0.99</b>	0.98

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**

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**Outlook for the remainder of 2008**

During the remainder of 2008, the Company plans to continue its expansion program and to open an 8-screen multiplex in Pardubice, Czech Republic. Two multiplexes in Romania totaling 14 screens, in Bacau and Pitesti, which were scheduled to open before the end of 2008, are now delayed to the first part of 2009. This is due to delays in the overall shopping centre developments, which are not in the Company's control

In addition, the Company continues to progress in signing additional lease agreements for future multiplexes in Romania. As at November 2008, the Company has in total binding commitments for an additional 29 sites (representing approximately 280 screens) throughout Romania, and is in advanced negotiations in respect of a further number of sites.

Upon completion of the projects currently in the pipeline, Romania will become the Company's second largest country in terms of number of screens in operation, exceeded only by Poland. All of the planned Romanian theatres are located in shopping centers and will be leased. As previously noted, because the mall opening dates are dependent on the mall developers and there is a continuing tendency in the Romanian market to complete mall construction behind schedule, it remains difficult for the Company to accurately estimate the opening dates of its projects.

**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 short report for the nine months ended 30 September 2008 (14 November 2008), the following shareholders are entitled to exercise over 5% of voting rights at the General Meeting of Shareholders in the Company:

	As of 14 November 2008	Increase/ (decrease)	As of 30 Sept 2008	Increase/ (decrease)	As of 31 December 2007
	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(1)	32,709,996 / 64.35%	-	32,709,996 / 64.35%	109,000	32,600,996 / 64.13%
Commercial Union Powszechne Towarzystwo Emerytalne BPH CU WBK SA	5,236,369 /10,30%.	2,436,765	2,799,604 /5,51%.	n.a.	n.a.
ING Nationale - Nederlanden Polska Otwarty Fundusz Emerytalny BZ WBK TFI SA	2,700,000 / 5.31%	-	2,700,000 / 5.31%	-	2,700,000 / 5.31%
	2,661,049 /5.23%	-	2,661,049 /5.23%	2,661,049	n.a.

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

**Changes in ownership of shares and rights to shares by Management Board members in the nine months ended 30 September 2008 and in the year to the date of publication of the report**

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

	As of 14 November 2008	Increase/ (decrease)	As of 30 September 2008	Increase/ (decrease)	As of 31 December 2007
	Number of shares/ % of shares	Number of shares	Number of shares/ % of shares	Number of shares	Number of shares/ % of shares
Moshe Greidinger*	11,603,379 / 22.83%	-	11,603,379 / 22.83%	73,940	11,529,439 / 22.68%
Amos Weltsch	None	-	None	-	none
Israel Greidinger*	11,603,379 / 22.83%	-	11,603,379 / 22.83%	73,940	11,529,439 / 22.68%

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

## Director's report

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### Additional information to the report (cont'd)

#### Rights to shares

The members of the Management Board did not own or receive any rights to shares in the Company during the period 31 December 2007 until 14 November 2008.

#### *Changes in ownership of shares and rights to shares by Supervisory Board members in the nine months ended 30 September 2008 and in the year to the date of publication of the report*

The members of the Supervisory Board did not own or receive any shares and/or rights to shares in the Company during the period 31 December 2007 until 14 November 2008.

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

None.

#### *Other*

As of 30 September 2008, the Group has issued guarantees for loans that in total amount EUR 12 million and Polish zloty 140.5 (EUR 41.5) million in connection with loans provided to subsidiaries.

As of 30 September 2008, the Group has no litigations for claims or liabilities that in total exceed 10% of the Group's equity.

The following net movements in the Group's main provisions took place during the nine months ended 30 September 2008 (between brackets the net movements during the third quarter of 2008 are shown):

- an increase in the provision for deferred tax liabilities of EUR 1,318,000 (an increase of EUR 424,000).
- an increase in the provision for accrued employee retirement rights of EUR 4,000 (an increase of EUR 6,000).
- a decrease in the provision related to onerous lease contracts of EUR 1,206,000 (a decrease of EUR 402,000).

### The Management Board

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

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Amos Weltsch  
Management board  
Operational Director

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Israel Greidinger  
Management board  
Financial Director

**Rotterdam, 14 November 2008**

**Condensed Consolidated Financial Statements for the nine months ended 30 September 2008**
**CONDENSED CONSOLIDATED BALANCE SHEET**

	30 September 2008 (Unaudited)	30 June 2008 (Unaudited)	31 December 2007 (Audited)*	30 September 2007 (Unaudited)**
	EUR (thousands)			
<b>ASSETS</b>				
<b>FIXED ASSETS</b>				
Intangible fixed assets	1,516	1,548	1,041	676
Property and equipment	216,118	205,608	183,239	187,114
Financial fixed assets	938	855	1,210	714
Investment property	25,240	19,125	12,017	-
<b>Total fixed assets</b>	<b>243,812</b>	<b>227,136</b>	<b>197,507</b>	<b>188,504</b>
<b>CURRENT ASSETS</b>				
Inventories	5,418	5,131	4,380	4,800
Trade and other receivables	30,635	31,644	30,651	28,654
Securities and short term receivable held for sale	22,052	2,429	2,460	2,438
Cash and cash equivalents	9,235	7,764	8,012	9,327
Short term bank deposits - collateralized	352	350	349	344
<b>Total current assets</b>	<b>67,692</b>	<b>47,318</b>	<b>45,852</b>	<b>45,563</b>
<b>TOTAL ASSETS</b>	<b>311,504</b>	<b>274,454</b>	<b>243,359</b>	<b>234,067</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Minority interests	(2,682)	(2,405)	(1,908)	(1,704)
<b>LONG-TERM LIABILITIES</b>				
Long-term loans, net of current portion	57,263	31,807	34,802	36,049
Provisions	5,866	5,837	5,750	6,183
Other long-term liabilities	2,595	2,548	2,537	3,391
<b>Total long-term liabilities</b>	<b>65,724</b>	<b>40,192</b>	<b>43,089</b>	<b>45,623</b>
<b>CURRENT LIABILITIES</b>				
Short-term bank credit	36,994	33,290	18,575	17,136
Other current liabilities	31,768	28,739	27,432	26,363
<b>Total current liabilities</b>	<b>68,762</b>	<b>62,029</b>	<b>46,007</b>	<b>43,499</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>311,504</b>	<b>274,454</b>	<b>243,359</b>	<b>234,067</b>

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

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

**Condensed Consolidated Financial Statements for the nine months ended 30 September 2008****CONDENSED CONSOLIDATED INCOME STATEMENT**

	For the 9 months ended 30 September 2008 (Unaudited)	For the 3 months ended 30 September 2008 (Unaudited)	For the 9 months ended 30 September 2007 (Unaudited)	For the 3 months ended 30 September 2007 (Unaudited)
<b>EUR</b>				
(thousands, except per share data and number of shares)				
<b>Revenues</b>	<b>140,053</b>	<b>48,067</b>	121,772	41,496
Operating costs	<u>115,136</u>	<u>40,965</u>	<u>100,090</u>	<u>35,083</u>
<b>Gross margin</b>	<b>24,917</b>	<b>7,102</b>	21,682	6,413
General and administrative expenses	<u>7,389</u>	<u>2,038</u>	<u>6,095</u>	<u>1,729</u>
<b>Operating profit</b>	<b>17,528</b>	<b>5,064</b>	15,587	4,684
Financial income	2,750	640	1,436	562
Financial expenses	(4,569)	(1,328)	(4,386)	(1,618)
(loss) /Gain on disposals and write-off of other investments	<u>(81)</u>	<u>(34)</u>	<u>20</u>	<u>(68)</u>
<b>Income before taxation</b>	<b>15,628</b>	<b>4,342</b>	12,657	3,560
Income taxes	<u>(1,460)</u>	<u>(463)</u>	<u>(473)</u>	<u>(290)</u>
<b>Net income before minority interests</b>	<b><u>14,168</u></b>	<b><u>3,879</u></b>	<u>12,184</u>	<u>3,270</u>
<b>Attributable to:</b>				
Equity holders of the Parent Company	14,661	4,017	13,013	3,555
Minority interests in loss of consolidated subsidiaries	<u>(493)</u>	<u>(138)</u>	<u>(829)</u>	<u>(285)</u>
<b>Net income before minority interests</b>	<b><u>14,168</u></b>	<b><u>3,879</u></b>	<u>12,184</u>	<u>3,270</u>
Weighted average number of equivalent shares (basic)	<u>50,834,000</u>	<u>50,834,000</u>	<u>50,724,000</u>	<u>50,724,000</u>
Weighted average number of equivalent shares (diluted)	<u>50,938,647</u>	<u>50,874,068</u>	<u>50,960,115</u>	<u>50,960,115</u>
<b>Net earnings per ordinary share (basic and diluted) of EUR 0.01 each</b>	<b><u>0.29</u></b>	<b><u>0.08</u></b>	<u>0.26</u>	<u>0.07</u>

**Condensed Consolidated Financial Statements for the nine months ended 30 September 2008****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	For the 9 months ended 30 September 2008 (Unaudited)	For the 3 months ended 30 September 2008 (Unaudited)	For the 9 months ended 30 September 2007 (Unaudited)	For the 3 months ended 30 September 2007 (Unaudited)
EUR (thousands)				
<b>Balance as of the beginning of the period</b>	156,171	174,638	132,176	143,538
Share based payment	81	27	225	75
Public offering related costs *	-	-	(153)	-
Net income for the period	14,661	4,017	13,013	3,555
Foreign currency translation adjustment	9,647	(601)	1,388	(519)
Effective portion in fair value of cash flow hedges **	(860)	1,619	-	-
<b>Balance at the end of the period</b>	<u>179,700</u>	<u>179,700</u>	<u>146,649</u>	<u>146,649</u>

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

\*\* represents changes in fair value adjustment of cash flow hedges related to part of the Company's future transactions denominated in currencies other than the functional currency ( see Note 8).

**CONDENSED STATEMENT OF RECOGNISED INCOME AND EXPENSES**

	For the 9 months ended 30 September 2008 (Unaudited)	For the 3 months ended 30 September 2008 (Unaudited)	For the 9 months ended 30 September 2007 (Unaudited)	For the 3 months ended 30 September 2007 (Unaudited)
EUR (thousands)				
Foreign exchange translation differences before minority interest	9,366	(740)	1,408	(541)
Effective portion in fair value of cash flow hedges	(860)	1,619	-	-
<b>Net income recognised directly in equity</b>	<u>8,506</u>	<u>879</u>	<u>1,408</u>	<u>(541)</u>
Net income before minority interest	14,168	3,879	12,184	3,270
<b>Total recognised income and expense for the period</b>	<u>22,674</u>	<u>4,758</u>	<u>13,592</u>	<u>2,729</u>
<b>Attributable to:</b>				
Equity holders of the Company	23,448	5,035	14,401	3,036
Minority interests	(774)	(277)	(809)	(307)
<b>Total recognised income and expense for the period</b>	<u>22,674</u>	<u>4,758</u>	<u>13,592</u>	<u>2,729</u>

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**Condensed Consolidated Financial Statements for the nine months ended 30 September 2008**


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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>For the 9 months ended 30 September 2008 (Unaudited)</b>	<b>For the 3 months ended 30 September 2008 (Unaudited)</b>	<b>For the 9 months ended 30 September 2007 (Unaudited)</b>	<b>For the 3 months ended 30 September 2007 (Unaudited)</b>
	<b>EUR (thousands)</b>			
Cash flows from operating activities	21,686	8,631	21,918	14,343
Cash flows used in investing activities	(55,174)	(33,914)	(28,299)	(16,883)
Cash flows (used in) / from financing activities	34,286	26,750	(37,559)	3,202
Foreign currency exchange differences on cash	425	4	73	(36)
<b>(Decrease) / increase in cash and cash equivalents</b>	<b>1,223</b>	<b>1,471</b>	<b>(43,867)</b>	<b>626</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>8,012</b>	<b>7,764</b>	<b>53,194</b>	<b>8,701</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>9,235</b>	<b>9,235</b>	<b>9,327</b>	<b>9,327</b>

**Condensed Consolidated Financial Statements for the nine months ended 30 September 2008**

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

(a) The accompanying Condensed Consolidated Financial Statements present the financial position per 30 September 2008, results of operations, changes in shareholders' equity, and cash flows for the three and nine months ended 30 September 2008 of Cinema City International N.V. ("the Company") and its subsidiaries and joint ventures (together referred to as "the Group") and the Group's interest in associates. The 30 September 2008 Condensed Consolidated Financial Statements were authorised for issue by the Management Board on 14 November 2008.

(b) Cinema City International N.V., incorporated in the Netherlands. The shares in the Company are traded on the Warsaw Stock Exchange. As at 30 September 2008, 64.35% (31 December 2007: 64.13%) of the outstanding shares in the Company are held by I.T. International Theatres Ltd. ("ITIT"), incorporated in Israel. The Group is principally engaged in the operation of entertainment activities in various countries including: Poland, Hungary, Czech Republic, Bulgaria, Romania and Israel. The Company is also engaged in managing and establishing its own entertainment real estate projects for rental purposes, in which the Company operates motion picture theatres. In addition, the Company is involved in short-term and long-term real estate trading in Central Europe. The Company's business is in large dependent both upon the availability of suitable motion pictures from third parties for exhibition in its theatres, and the performance of such films in the Company's markets.

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

The Condensed Consolidated Balance Sheets as of 30 September 2008, as of 30 June 2008 and as of 30 September 2007, 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 nine months and for the three months ended 30 September 2008 and for the nine months and for the three months ended 30 September 2007, have not been audited. The Consolidated Balance Sheet as of 31 December 2007 has been audited.

The Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. In the preparation of these financial statements, the Company has followed the same accounting policies and methods of computations used in the Company's 2007 Annual Accounts. The Company's 2007 Annual Accounts have been prepared in accordance with IFRS adopted by the EU to be used for preparation of consolidated financial reporting. In addition, the Company has adopted the standards and interpretations with an effective date before 30 September 2008. The 30 September 2008 Condensed Consolidated Financial Statements should be read in conjunction with the audited 2007 Annual Accounts. In addition, the Company has adopted the standards and interpretations with an effective date before 30 September 2008.

**Condensed Consolidated Financial Statements for the nine months ended 30 September 2008**

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**Note 2 – Summary of significant accounting policies (cont'd)****B. Functional and reporting currency**

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

The financial statements of the above mentioned foreign operations are translated from the functional currency into euros (functional currency of the Company) for both 2007 and 2008 as follows:

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

**C. Use of estimates and judgements**

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

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

**D. Principles of consolidation**

These Condensed unaudited Consolidated Financial Statements include the accounts of the Company, its subsidiaries, and jointly controlled entities. Subsidiaries are those enterprises which are controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control effectively commences until the date that control effectively ceases. Jointly controlled entities are those enterprises over whose activities the Company has joint control, established by contractual agreements. 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 12.

## Condensed Consolidated Financial Statements for the nine months ended 30 September 2008

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

#### E. Exchange rates

Information relating to the relevant euro exchange rates (at end of period and averages for the period):

Exchange rate of euro						
As of	Czech crown (CZK)	Hungarian forint (HUF)	Polish zloty (PLN)	US dollar (USD)	Israeli shekel (NIS)	Romania new lei (RON)
<b>30 September 2008</b>	<b>24.54</b>	<b>242.68</b>	<b>3.38</b>	<b>1.44</b>	<b>5.00</b>	<b>3.74</b>
31 December 2007	26.67	255.46	3.63	1.47	5.66	3.63
30 September 2007	27.60	252.43	3.79	1.43	5.74	3.83
<b>Change during the period</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>2008 (9 months)</b>	<b>(7.99)</b>	<b>(5.00)</b>	<b>(6.88)</b>	<b>(2.04)</b>	<b>(11.66)</b>	<b>3.03</b>
2007 (12 months)	(3.12)	1.01	(5.22)	11.36	1.80	6.45
2007 (9 months)	0.25	(0.20)	(1.81)	8.34	3.24	12.31

Exchange rate of euro						
Average for the period	Czech crown (CZK)	Hungarian forint (HUF)	Polish zloty (PLN)	US dollar (USD)	Israeli shekel (NIS)	Romania New Lei (RON)
<b>2008 (9 months)</b>	<b>24.86</b>	<b>248.55</b>	<b>3.44</b>	<b>1.52</b>	<b>5.35</b>	<b>3.66</b>
2007 (12 months)	27.78	252.05	3.79	1.37	5.63	3.35
2007 (9 months)	28.10	251.51	3.83	1.34	5.61	3.13
<b>Change during the period</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>2008 (9 months)</b>	<b>(10.51)</b>	<b>(1.39)</b>	<b>(9.23)</b>	<b>10.95</b>	<b>(4.97)</b>	<b>9.25</b>
2007 (12 months)	(2.08)	(4.85)	(2.82)	8.73	0.71	(5.37)
2007 (9 months)	(0.95)	(5.05)	(2.05)	6.35	0.36	(11.58)

Exchange rate of euro						
Average for the quarter ended 30 September	Czech Crown (CZK)	Hungarian Forint (HUF)	Polish Zloty (PLN)	US Dollar (USD)	Israeli Shekel (NIS)	Romania New Lei (RON)
<b>2008</b>	24.10	236.57	3.31	1.51	5.26	3.6
2007	27.97	252.53	3.80	1.37	5.77	3.24
<b>Change quarter over quarter</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>2008</b>	<b>(13.84)</b>	<b>(6.32)</b>	<b>(12.89)</b>	<b>10.22</b>	<b>(8.84)</b>	<b>11.11</b>
2007	(1.41)	(8.68)	(4.03)	7.03	(1.41)	(8.73)

\*Since the exchange rate of Bulgarian leva versus the euro for the applicable periods is unchanged, a currency table is not added. The exchange rate for the applicable periods used is 1.95583 Bulgarian leva for one euro.

**Condensed Consolidated Financial Statements for the nine months ended 30 September 2008**

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**Note 3 – Changes in Consolidated Entities****A. Changes in consolidated and associated entities during the first nine months of 2008:**

- (a) MO Russe AD (formerly known as Cinema City Malls AD), a Bulgarian company in which the Company, through its 100% subsidiary IT Sofia 2007 B.V. incorporated in the Netherlands, holds 90% of the shares. This Bulgarian company which commenced its activities in July 2007 under the name Cinema City Malls AD, owns a plot of land in Russe, Bulgaria, on which a shopping mall is being developed. Before 19 September 2008, the entity was jointly controlled by the Company and a third party, each owning 45% of the shares.

Up to and including the quarter ended 31 March 2008, the interest in Cinema City Malls AD (45% at the time) was not consolidated in view of the Company's initial intention to sell this interest in the short term in line with the Company's strategy for real estate projects. Accordingly, the interest in Cinema City Malls AD as well as the loans granted by the Company to Cinema City Malls AD were classified as assets held for sale.

During the second quarter ended 30 June 2008, the Company reconsidered its strategy for this real estate project and decided to hold its (45%) interest in the Mall of Russe as investment for the foreseeable future and to benefit from future rental income out of the shopping mall once completed and from its capital appreciation. As a consequence, the interest in Cinema City Malls A.D. was reclassified as held for use, i.e. investment and – bearing in mind the jointly controlled ownership at the time – was accounted for using the proportionate consolidation method in the Company's Condensed Consolidated Financial Statements retrospectively from the date of its classification as held for sale, being the date of its inception in July 2007. The Condensed Consolidated Balance Sheets as of 31 December 2007 and as of 30 September 2007 have been amended accordingly. The amendment relating to the financial year 2007 does not affect result in a restatement of retained earnings per 1 January 2008.

In August 2008, the Bulgarian subsidiary changed its name from Cinema City Malls AD into MO Russe AD. As of 19 September 2008, when the Company acquired the 45% interest from the other joint venture partner thereby increasing its interest in MO Russe AD to 90%, this subsidiary is accounted for in the Company's Condensed Consolidated Financial Statements on a fully consolidated basis. Since the Company is seeking to sell the other half of its interest in the Mall of Russe to a new partner in the near future, this 45% interest in the Mall of Russe is carried in the Company's consolidated balance sheet as "held for sale", whereas the other 45%, which is considered to be held as long-term investment, is accounted for as Investment property (land) and Property and equipment (construction part), respectively (see also Note 5).

- (b) New Age Cinema Czech S.R.O., 100% owned by the Company, was incorporated in the Czech Republic. This entity commenced operations in June 2008 and specializes in screen advertising.
- (c) M.O. Stara Zagora OOD, a Bulgarian company in which the Company holds a 55% interest and which owns the Mall of Stara Zagora. The other 45% of the shares in M.O. Stara Zagora AD is held by third parties. As the ownership of M.O. Stara Zagora AD is jointly controlled, the interest in M.O. Stara Zagora is accounted for using the proportionate consolidation method in the Company's Condensed Consolidated Financial Statements. Since the Company is seeking to sell the other half of its interest in the Mall of Stara Zagora to a new partner in the near future, this 27.5% interest in the Mall of Stara Zagora is carried in the Company's consolidated balance sheet as "held for sale", whereas the other 27.5% interest, which is considered to be held as long-term investment, is accounted for as Investment property (land) and Property and equipment (construction part), respectively (see also Note 5).
- (d) RESB EOOD, 100% owned by the company, was incorporated in Bulgaria. This entity commenced operations in August 2008 and specializes in management of real estate and construction.

## Condensed Consolidated Financial Statements for the nine months ended 30 September 2008

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### Note 3 – Changes in Consolidated Entities (cont'd)

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

- (a) I.T. Sofia 2007 B.V. 100% owned by the Company, was incorporated in the Netherlands. The Company holds 45% of Cinema City Malls AD, an affiliated Bulgarian company owning a plot of land in Russe, Bulgaria. The 45% shares were transferred to I.T. Sofia 2007 B.V by I.T. Sofia BV during November 2007.
- (b) Forum Home Entertainment Czech S.R.O., 100% owned by the Company, was incorporated in the Czech Republic. The Company commenced operations in July 2007 and specializes in the distribution of DVD movies. This distribution company is the exclusive distributor in the Czech Republic of the Film DVD activity of "Disney".
- (c) New Age Media Romania S.R.L, 100% owned by the Company, was incorporated in Romania. The Company commenced operation in December 2007 and specializes in screen advertising.
- (d) Cinema City Romania S.R.L, 100% owned by the Company was incorporated in Romania. The Company commenced operation in November 2007 and specializes in operation of theatres.
- (e) Kino 2005 a.s ,100% owned by the company, was fully merged into I.T. Czech Cinemas S.R.O. which is also owned 100% by the company. The merge is effective as of 1 January 2007.

### Note 4 – Share capital

The authorised share capital of the Company consists of 175,000,000 shares of EUR 0.01 par value each. The number of issued and outstanding ordinary shares as at 1 January 2007 was 50,724,000. At 18 December 2007, the Company issued 110,000 ordinary shares. As a result of the share issue in 2007, the total number of shares issued and outstanding at 31 December 2007 totalled 50,834,000 which remained unchanged during the nine months ended 30 September 2008. All shares issued and outstanding at 30 September 2008 have been fully paid.

### Note 5 – Investment properties

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

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

As of 30 September 2008, Investment properties consist of the Company's long-term investments in the land in Russe and the land in Stara Zagora, both on which shopping malls are being developed (see also Note 3A).

**Condensed Consolidated Financial Statements for the nine months ended 30 September 2008**

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**Note 6 – Commitments and contingent liabilities**

The Company and its subsidiaries did not enter into any new agreements or contracts that resulted in additional significant commitments or contingent liabilities since 31 December 2007. The commitments, contingent liabilities and liens as disclosed in the Company's 2007 Annual Accounts for the year ended 31 December 2007 have not materially changed as at 30 September 2008, except for further commitments to open new cinemas as part of the Company's expansion plans and further obligations related to the additional investment in Mall of Plovdiv as described below.

As of 30 September 2008, the Group has guarantees for loans that, in total, amount to EUR 12 million and PLN 140.5 million (EUR 41.5 million) in connection with loans provided to subsidiaries.

Cinema City Poland Sp. z o.o., 100% owned by the Company, is the defendant in a claim brought by Związek Autorów i Kompozytorów ("Zaiks"), a Polish collection society representing screenplay authors and authors of other literary and musical works used in audiovisual works that are exhibited in Poland. The Company understands that Zaiks has also brought similar claims against every other major cinema exhibitor and cable TV operators in Poland. The claimant seeks royalties in an amount of which the Company's share is approximately EUR 2.0 million plus interest for the use of works by certain of its members in movies exhibited in Poland. Based on legal advice, the Management Board do not expect the outcome of the claim to have a material effect on the Group's financial position.

In the first half of 2007, the Company sold one half of its interest in the Mall of Plovdiv (15%). The Company agreed to sell its then remaining 15% holding in the Mall of Plovdiv to the same buyers based on an agreed formula prior to the opening. In July 2008, the company purchased from its partner in the Mall of Plovdiv project, Ocif, a further 15% interest in the Mall of Plovdiv. The Company will also sell this 15% interest to the same buyers immediately prior to the opening of the mall whilst retaining the responsibility for the completion of the project. In this regard, the Company has provided the buyers with a cost overrun guarantee, to cover its part in any additional costs of completion of the project that exceeds the budget.

**Note 7 – Impairment losses and provisions**

During the nine months ended 30 September 2008, no impairment losses were charged.

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

**Condensed Consolidated Financial Statements for the nine months ended 30 September 2008**

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**Note 8 – Financial instruments**

Exposure to credit, interest rate and currency risks arises in the normal course of the Company's business. These risks are described in fuller detail in the 2007 Annual Accounts. As at 30 September 2008, the Company has hedged some of its USD and EUR expenses through December 2008 in respect of its Polish, Hungarian and the Czech theatre operations, against the Polish zloty, the Hungarian forint and the Czech crown respectively.

In connection with these obligations, the Company has entered into forward foreign exchange contracts comprising a commitment to buy USD 400,000 at the beginning of each month until December 2008, and further commitments to buy EUR 300,000 and USD 500,000<sup>1</sup> at the beginning of each month until December 2009 at fixed prices denominated in Polish zloty.

The Company entered into further forward foreign exchange contracts comprising a commitment to buy USD 265,000 at the beginning of each month until December 2008 and further commitments to buy USD 255,000 at the beginning of each month<sup>1</sup> until December 2010 at fixed prices denominated in Hungarian Forint.

The Company entered into further forward foreign exchange contracts comprising a commitment to buy USD 90,000 at the beginning of each month until August 2011 at fixed prices denominated in the Czech crown.

These forward foreign exchange contracts have been valued in the consolidated balance sheet at 30 September 2008 at their fair value.

The valuation of contracts signed as of 1 January 2008 onwards is booked directly into equity in a separate Hedge reserve. The Company designates these contracts to hedge future cash flow fluctuations deriving from differences between the EUR and the USD against local currencies as described above. Amounts are released from the Hedge reserve to profit or loss when the future transaction is settled.

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

## Condensed Consolidated Financial Statements for the nine months ended 30 September 2008

### Note 9 - 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 nine months ended 30 September 2008					
	EUR (thousands) – (unaudited)					
	<u>Theatre Operations</u>	<u>Distribution</u>	<u>Video &amp; DVD</u>	<u>Other</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Revenues</b>						
External sales	112,675	16,634	2,296	8,448	-	140,053
Inter-segment sales		4,626			(4,626)	-
<b>Total revenues</b>	<u>112,675</u>	<u>21,260</u>	<u>2,296</u>	<u>8,448</u>	<u>(4,626)</u>	<u>140,053</u>
<b>Segment results</b>	<u>10,732</u>	<u>364</u>	<u>(599)</u>	<u>7,031</u>	<u>-</u>	<u>17,528</u>
<b>Net financial expense</b>						(1,819)
<b>Gain and loss on disposals</b>						(81)
<b>Income taxes</b>						(1,460)
<b>Minority interests</b>						493
<b>Net income</b>						<u>14,661</u>

	30 September 2008					
	EUR (thousands) – (unaudited)					
	<u>Theatre Operations</u>	<u>Distribution</u>	<u>Video &amp; DVD</u>	<u>Other</u>	<u>Unallocated</u>	<u>Consolidated</u>
<b>Segment assets</b>	<u>234,353</u>	<u>11,674</u>	<u>1,810</u>	<u>62,729</u>	<u>938</u>	<u>311,504</u>
<b>Segment liabilities</b>	<u>20,990</u>	<u>5,041</u>	<u>1,026</u>	<u>7,204</u>	<u>97,543</u>	<u>131,804</u>
<b>Capital expenditure</b>	<u>27,933</u>	<u>387</u>	<u>407</u>	<u>6,237</u>	<u>-</u>	<u>34,964</u>



**Condensed Consolidated Financial Statements for the nine months ended 30 September 2008****Note 10 – Share-based payments**

In December 2006 and as part of the successful initial public offering, a new long-term incentive plan (the “Plan”) was implemented. The persons eligible for participation in the Plan are the employees of the Group, including the members of the Management Board. Under the Plan, share options can be granted to members of the Management Board and selected employees. The exercise price of the granted options is determined by the Supervisory Board on the date of granting the share options and shall not be less than the fair market value at the time of the grant of the options. Options are conditional on the employee being employed or Board member being in office at the time the Options are exercisable (vesting period). Options granted shall vest over three years after the date of the grant: one third vesting after one year, one third vesting after two years and one third vesting after three year. The options have a contractual option term of maximum ten years.

On 6 December 2006, a total number of 477,000 options with an exercise price of EUR 5.05 each, vesting in 3 years and having an option term of 4 years, were granted to certain employees of the Group. No options were granted to employees during 2007. On 17 September 2008, a further total number of 105,000 options with an exercise price of PLN 25 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 2008 (9 months), 2007 and 2006.

In December 2007, a total number of 110,000 options that were granted in 2006 were exercised. The average share price at the time of exercise was EUR 9.42 per share. The details of the number of options outstanding as at 30 September 2008 are as follows:

Vesting date	Number of options		
	Granted	exercised	outstanding
6 December 2007	159,000	110,000	49,000
6 December 2008	186,000	-	186,000
6 December 2009	186,000	-	186,000
6 September 2010	51,000	-	51,000
	<u>582,000</u>	<u>110,000</u>	<u>472,000</u>

The weighted average fair value of options granted in 2006 using the Black-Scholes valuation model was approximately EUR 1 per option. The significant inputs into the model were a weighted average share price of EUR 5.05 at the grant date, the exercise price mentioned above, volatility of 20%, dividend yield of 0%, an option life of 4 years and an annual risk free rate of 4%.

The impact of the share-based payment on the financial statements of the Company for the nine months ended 30 September 2008 was an expense of EUR 81,000 (nine months ended 30 September 2007: EUR 225,000) recognised in the income statement with a corresponding increase in equity.

During the nine months ended 30 September 2008 and during the year 2007 no options were forfeited.

**Note 11 – Related party transactions**

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

## Condensed Consolidated Financial Statements for the nine months ended 30 September 2008

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

	30 September 2008			
	Direct/indirect voting right of the Company	The Company's equity share in subsidiary	Consolidation	Currency
	%	%	%	
I.T. International Theatres 2004 Ltd.	100%	100%	Full	(6)
I.T. Magyar Cinemas Kft	100%	100%	Full	(2)
Cinema City Finance B.V	100%	100%	Full	(1)
Cinema City Poland Sp.Zoo	100%	100%	Full	(4)
IT Development 2003 Sp.Zoo	100%	100%	Full	(4)
Cinema City Czech S.R.O.	100%	100%	Full	(3)
Forum Home Entertainment Czech S.R.O.	100%	100%	Full	(3)
New Age Cinema Czech S.R.O	100%	100%	Full	(3)
I.T. Sofia B.V.	100%	100%	Full	(1)
I.T Sofia 2007 B.V.	100%	100%	Full	(1)
New Age Media Sp.Zoo	100%	100%	Full	(4)
Forum Film Poland Sp.Zoo	100%	100%	Full	(4)
All Job Poland Sp. Zoo	100%	100%	Full	(4)
Norma Film Ltd.	60%	50%	Full	(6)
Forum Film Ltd.	60%	50%	Full	(6)
Ya'af - Giant Video Library Network Ltd.	60%	30%	Full	(6)
Ya'af – Automatic Video Machines Ltd.	60%	50%	Full	(6)
Kafan et Anak limited partnership	25%	15%	Proportionate	(6)
Mabat Ltd.	100%	100%	Full	(6)
Teleticket Ltd.	100%	100%	Full	(6)
Cinema Plus Ltd.	100%	100%	Full	(6)
Cinema City Bulgaria EOOD	100%	100%	Full	(5)
Forum Film Home Entertainment KFT	100%	100%	Full	(2)
New Age Cinema KFT	100%	100%	Full	(2)
Forum Hungary Film Distribution KFT	100%	100%	Full	(2)
Cinema City Romania SRL	100%	100%	Full	(7)
New age Media Romania SRL	100%	100%	Full	(7)
Mall of Plovdiv EOOD	15%	15%	Not consolidated-held for sale	(5)
Mall of Rousse AD	90%	90%	Full	(5)
Mall of Stara Zagora AD	55%	55%	Proportionate	(5)
RESB EOOD	100%	100%	Full	(5)

(1) Dutch corporation. (3) Czech corporation. (5) Bulgarian corporation (7) Romanian corporation

(2) Hungarian corporation. (4) Polish corporation (6) Israeli corporation.

\*The details of corporation as of 31 December 2007 were similar to the details of corporation during the nine months ended 30 September 2008 as shown above, except for new entities as described in Note 3A

## Condensed Consolidated Financial Statements for the nine months ended 30 September 2008

### Note 13 – Condensed unconsolidated financial statements

#### Condensed unconsolidated balance sheet as at

	30 September 2008 (Unaudited)	30 June 2008 (Unaudited)	31 December 2007 (Audited)*	30 September 2007 (Unaudited)
	EUR (thousands)			
<b>ASSETS</b>				
<b>FIXED ASSETS</b>				
Intangible fixed assets	158	158	-	-
Property and equipment	31	31	31	31
Investments in subsidiaries	169,422	163,747	144,472	134,926
<b>Total fixed assets</b>	<b>169,611</b>	<b>163,936</b>	<b>144,503</b>	<b>134,957</b>
<b>CURRENT ASSETS</b>				
Trade and other receivables	615	363	648	714
Cash and cash equivalents	2,680	1,875	1,369	3,593
Receivables from subsidiaries	20,518	22,013	21,753	18,551
<b>Total current assets</b>	<b>23,813</b>	<b>24,251</b>	<b>23,770</b>	<b>22,858</b>
<b>TOTAL ASSETS</b>	<b>193,424</b>	<b>188,187</b>	<b>168,273</b>	<b>157,815</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	508	508	508	507
Premium on share capital	90,377	90,377	90,377	89,792
Other reserves	53,762	53,735	37,057	36,982
Accumulated currency translation adjustments	21,252	21,853	11,605	6,355
Effective portion in fair value of cash flow hedges	(860)	(2,479)	-	-
Net profit for the period	14,661	10,644	16,624	13,013
<b>Total shareholders' equity</b>	<b>179,700</b>	<b>174,638</b>	<b>156,171</b>	<b>146,649</b>
<b>CURRENT LIABILITIES</b>				
Payable to subsidiaries	13,452	13,271	11,817	10,873
Other current liabilities	272	278	285	293
<b>Total current liabilities</b>	<b>13,724</b>	<b>13,549</b>	<b>12,102</b>	<b>11,166</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>193,424</b>	<b>188,187</b>	<b>168,273</b>	<b>157,815</b>

\*) Extracted from the 2007 Annual Accounts.

## Condensed Consolidated Financial Statements for the nine months ended 30 September 2008

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

#### Condensed unconsolidated income statement

	For the 9 months ended 30 September 2008 (Unaudited)	For the 3 months ended 30 September 2008 (Unaudited)	For the 9 months ended 30 September 2007 (Unaudited)	For the 3 months ended 30 September 2007 (Unaudited)
<b>EUR</b>				
(thousands, except per share data and number of shares)				
<b>Revenues</b>			-	-
General and administrative expenses	858	126	785	324
<b>Operating profit</b>	(858)	(126)	(785)	(324)
Financial income	81	26	360	7
Financial expenses	(68)	(30)	(286)	(197)
<b>Income before taxation</b>	(845)	(130)	(711)	(514)
Income taxes	-	-	-	-
<b>Income after taxation</b>	(845)	(130)	(711)	(514)
Result from subsidiaries after taxation	15,506	4,147	13,724	4,069
<b>Net income</b>	14,661	4,017	13,013	3,555
Weighted average number of equivalent shares (basic)	50,834,000	50,834,000	50,724,000	50,724,000
Weighted average number of equivalent shares (diluted)	50,938,647	50,874,068	50,960,115	50,960,115
<b>Net earnings per ordinary share (basic and diluted) of EUR 0.01 each</b>	0.29	0.08	0.26	0.07

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

	For the 9 months ended 30 September 2008 (Unaudited)	For the 3 months ended 30 September 2008 (Unaudited)	For the 9 months ended 30 September 2007 (Unaudited)	For the 3 months ended 30 September 2007 (Unaudited)
EUR (thousands)				
<b>Balance as of the beginning of the period</b>	156,171	174,638	132,176	143,538
Share based payment	81	27	225	75
Public offering related costs(*)	-	-	(153)	-
Net income for the period	14,661	4,017	13,013	3,555
Foreign currency translation adjustment	9,647	(601)	1,388	(519)
Effective portion in fair value of cash flow hedges **	(860)	1,619	-	-
<b>Balance at the end of the period</b>	<b>179,700</b>	<b>179,700</b>	146,649	146,649

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

\*\* represents changes in fair value adjustment of cash flow hedges related to part of the Company's future transactions denominated in currencies other than the functional currency ( see Note 8).

**Condensed unconsolidated cash flow statement**

	For the 9 months ended 30 September 2008 (Unaudited)	For the 3 months ended 30 September 2008 (Unaudited)	For the 9 months ended 30 September 2007 (Unaudited)	For the 3 months ended 30 September 2007 (Unaudited)
EUR (thousands)				
Cash flows (used in) / from operating activities	1,903	1,234	(48,240)	(3,113)
Cash flows from / (used in) investing activities	(592)	(429)	6,002	5,950
Cash flows from financing activities	-	-	73	76
<b>(Decrease) / increase in cash and cash equivalents</b>	<b>1,311</b>	<b>805</b>	(42,165)	2,913
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,369</b>	<b>1,875</b>	45,758	680
<b>Cash and cash equivalents at the end of the period</b>	<b>2,680</b>	<b>2,680</b>	3,593	3,593

**Condensed Consolidated Financial Statements for the nine months ended 30 September 2008**

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

**Additional information to the condensed unconsolidated financial statements of Cinema City International N.V.**

The accounting principles and measurement basis of these Condensed Unconsolidated Financial Statements are consistent with those applied with respect to the 2007 Annual Accounts and have remained unchanged. In the preparation of these financial statements, the Company has followed the same accounting policies as used for the Condensed Consolidated Financial Statements as referred to in Note 2A. The Company's 2007 Annual Accounts have been prepared in accordance with IFRS as adopted by the EU to be used for preparation of consolidated financial reporting. The 30 September 2008 Condensed Unconsolidated Financial Statements should be read in conjunction with the audited 2007 Annual Accounts. In addition, the Company has adopted the standards and interpretations with an effective date before 30 September 2008.

As the significant event for the Group also apply to the Company on a stand-alone basis, reference is made to the Directors' report where the highlights during the nine months ended 30 September 2008 are described.