



Press release

Warsaw, 22 April 2010

**Cinema City closes transaction of sale of its Bulgarian real estate business to Israel Theatres Ltd,**

Cinema City International, N.V. (WSI:CCI) ("CCI") announced today that it has signed an agreement with Israel Theatres Real Estate Holding B.V. and Pan-Europe Finance B.V. (both subsidiaries of Israel Theaters Ltd. ("IT")) to sell all its real estate development activity for EUR 91.2 million and the Parties closed the transaction. The initial payment of EUR 76.2 million was already made to Cinema City.

***"Acquisition of Cinema City real estate activities in Bulgaria by Israel Theatres is a very important transaction for both companies. Cinema City is going to reduce substantially its bank debt and it will be able to focus on expansion of its core theatre activity. For Israel Theatres, which is a long term real estate investor, it will allow to maximize the financial potential of both projects, Mall of Ruse and Mall of Stara Zagora, without any time pressure. Cinema City will still participate in the future gains from the transactions performed by Israel Theatres until the end of 2014, yet it will not take the risk of the volatility in the real estate market and its potential negative impact on CCI's consolidated performance "*** said Moshe (Mooky) Greidinger, CEO of Cinema City (and one of Israel Theatre's controlling shareholders) the largest multiplex cinema operator in Central & Eastern Europe and in Israel - ***"This "related party" transaction was made according to best corporate governance standards. The valuation of assets was made by an independent international valuator and the final voting on the transaction was effected by a special independent committee of the Supervisory Board of Cinema City."***

Below are the main parameters of the Sale Agreement:

[1] The Assets include: the Mall of Ruse project in the city of Ruse (which is in an advanced construction stage); the Mall of Stara Zagora (which is still in its planning stages); and RESB (a real estate development and management company which is involved in building and leasing the Assets).

[2] The Buyers assume all of the Company's outstanding real estate development related obligations in Bulgaria, including the completion of the Company's post-sale commitments relating to the Mall of Plovdiv,

[3] The Transaction was effected through the sale of shares in subsidiaries of the Company which directly or indirectly hold the assets,

[4] In addition to the initial consideration of EUR 76.2 million, a further amount of EUR 15 million is, payable by the Buyers to the Company on the date which is nine months after the opening of the Mall of Ruse, but in no event later than 18 months following the closing of the Transaction.

[5] The total purchase price of Euro 91.2 million is based on a valuation performed by an internationally recognized third-party valuator of the Assets, obtained by the Company in connection with the preparation of its 2009 audited financial statements and which has been adjusted to reflect the closing balance sheets of the relevant companies,

[6] The Sale Agreement also provides that the Buyers will pay an additional earn-out amount to the Company, based upon a percentage of any gains the Buyers realize from a disposal of the Assets prior to the end of the year 2014. The earn out is equal to 72.5% of any gains made by the Buyers prior to the first anniversary of the closing of the Transaction, 62.5% of any gains realized between the first and second anniversaries and 25% of any gains realized between the second



anniversary and the end of 2014. The Buyers will be solely responsible for any losses they may suffer following the Transaction.

[7] IT guarantees all of the obligations of the Buyers under the Agreement.

[8] In connection with the Buyers and IT securing the financing for the Transaction, the Company agrees to refrain from borrowing any additional funds if such borrowings would result in IT, on a fully consolidated basis (together with the Company), breaching certain EBITDA to debt ratios. This covenant is not expected to impact upon the Company's current cinema development plans. This covenant will remain in force so long as IT remains the majority shareholder of the Company.

[9] The Company agrees not to engage in shopping mall development activity in Bulgaria in the next 5 years.

The Company intends to use the excess cash and freed up leverage to fund the expansion of the Company's movie theatre activities, both in its current region of operation and potentially to new locations as well.

***"Following yesterday's transaction the debt of Cinema City went down to approximately EUR 30 million and it's going to be reduced again after Israel Theatre's second payment of EUR 15 million, which is going to be done latest by the end of 2011 " – added Moshe (Mooky) Greidinger.***

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

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

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