Cinema City International N.V.

Interim Management Report for the nine months ended 30 September 2011

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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 (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, Slovakia and Israel. The Company, through related entities, has been a family operated theatre business since 1929. The Company shares are traded on the Warsaw Stock Exchange. As of 14 November 2011, the market share price was PLN 29.1 (EUR 6.68), giving the Company a market capitalisation of EUR 341.8 million. The Company's office is located in Rotterdam, the Netherlands.

Highlights during the nine months ended 30 September 2011

- **The Company turned in a steady financial performance for the nine months ended 30 September 2011** generating revenues of EUR 197.6 million, Consolidated EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortisation) of EUR 38.4 million (excluding acquisition-related and reorganisation expenses) and net income of EUR 17.8 million (excluding acquisition-related and reorganisation expenses). Including acquisition-related and reorganisation expenses, the EBITDA and net income for the nine months ended 30 September 2011 amounted to EUR 35.3 million and EUR 14.8 million, respectively.

- **In the nine months ended 30 September 2011 EBITDA from theatre operations (excluding acquisition-related and reorganisation expenses) decreased to EUR 36.6 million compared to EUR 41.1 million in the nine months ended 30 September 2010 (-11.1%). The number of tickets sold increased to 26.0 million compared to 23.1 million in the first nine months of 2010 (+12.6%**) with the number of admissions on a same theatre basis decreasing by 12.6% from 23.1 million for the nine months ended 30 September 2010, to 20.2 million for the nine months ended 30 September 2011. The increase in the number of tickets sold in the nine months 2011 is driven mainly by the acquired Palace Cinemas multiplexes. The decrease in the number of tickets sold in the like-for-like basis is attributed mainly to the first quarter of 2010 strong admission level, when Avatar and Alice in Wonderland dominated the screens.

- **In the third quarter of 2011 alone EBITDA from theatre operations (excluding acquisition-related and reorganisation expenses) increased to EUR 13.3 million compared to EUR 13.1 million in the third quarter of 2010 (+2.1%) . The number of tickets sold in the third quarter increased to 9.1 million compared to 8.0 million in the third quarter of 2010 (+13.8%**) with the number of admissions on a same theatre basis decreasing by 13.8% from 8.0 million for the three months ended 30 September 2010 to 6.9 million for the three months ended 30 September 2011. The increase in the number of tickets sold in the third quarter is driven mainly by the acquired Palace Cinemas multiplexes. The decrease in the number of tickets sold on the same cinema basis is attributed mainly to the relatively weak reception of summer 2011 movies compared to last year.

- **Acquisition of Palace Cinemas. In January 2011, the Company purchased the Palace Cinemas chain, comprising 141 screens in 15 multiplexes in Hungary, Czech Republic and Slovakia. The purchase price for the transaction was EUR 28 million.**

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- **New openings, closings and signing of subsequent lease agreements.** In early April 2011, the Company opened a 10-screen multiplex in Braila, Romania. In May 2011, the Company signed lease agreements and started operating three multiplexes operated previously by Palace Mozi in Hungary with a total of 17 screens. During the nine months ended 30 September 2011, 5 screens were closed in Israel as part of the on-going process of repositioning the Company's chain in this market, whereas 3 screens were closed in Hungary. Furthermore, the Company signed two lease agreements for future multiplexes: one located in Lublin, Poland, and one located in Sofia, Bulgaria .
  During the fourth quarter of 2011 to date, the Company opened an 8-screen multiplex in Arad, Romania, and a 9-screen multiplex in Toruń Poland as well as it signed one lease agreement for a future multiplex in Ploesti, Romania.

- **During the third quarter 2011 Cinema City conducted the process of reorganisation of its Polish operations**, which were regrouped within a closed investment fund registered in Cyprus. The reorganisation in Poland is expected to bring organisational benefits and to enable tax optimisation when managing the operational companies.

- **The Company's total screen count as at 30 September 2011 is 882 in 93 multiplexes (including 9 IMAX® thea**tres).
  The company's total screen following the additions in the fourth quarter of 2011 to date grew to 899 in 95 multiplexes (including 9 IMAX® theatres).

- **Acceleration of the digitalisation program. The Company has deployed to date more** than 590 digital projectors, which now represent approximately 65% of all of the Company's projectors. The Company plans to digitalise 75% of its projectors until the end of 2011 and to be fully digital in the first half of 2012.

- **Film distribution business performed positively with growing revenue and EBITDA**. The Company has also established Forum Film Slovakia, which commenced operations in May 2011.

Theatre operations

Theatre operations performance

The total number of tickets sold for the nine months ended 30 September 2011 increased by 12.6% to 26.0 million compared to the same nine months in 2010 (and by 13.8% in the third quarter of 2011 compared to the third quarter of 2010) while same theatre admissions decreased by 12.6% in the nine months ended 30 September 2011 compared to the same nine months in 2010 (with same theatre admissions decreasing by 13.8% in the third quarter of 2011 compared to the third quarter of 2010). Theatre operations revenue reached EUR 181.0 million in the period versus EUR 163.7 million recorded in the first nine months of 2010, representing an 10.6% year over year increase. The increase was due primarily to the new cinemas added to the chain, especially following the Palace Cinemas acquisition in January this year, but also from the new cinemas opened during 2010 and during the first nine months of 2011.

The theatre operations in the first quarter of 2011 compared to the record first quarter of 2010 reflected a post-Avatar effect – the top grossing film in history created a very challenging base to beat. The second quarter of 2011 showed improvement producing a number of strong titles led by Pirates of the Caribbean, On Stranger Tides, Hangover Part II and Kung Fu Panda II. The third quarter 2011, however, was a bit lacklustre. Even though the quarter saw such blockbusters such as Harry Potter 7 and the Deathly Hallows: Part 2 , Cars 2, Smurfs and Transformers 3, the quarter's overall movie performance was weaker in comparison to the same period of 2010 when Shrek Forever, Inception and other blockbusters had very strong receptions. The

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Polish domestic movie production market had a strong first six months of 2011 compared to the same period in 2010, with such blockbusters as the comedy Och Karol! 2 (which itself generated 1.7 million admissions) and Sala Samobojcow ,but had a weaker Q3 in 2011 with much more modest product released.

Palace acquisition and following cinema additions

In January 2011, the Company purchased the Palace Cinemas chain, comprising 141 screens in 15 multiplexes in Hungary, Czech Republic and Slovakia. The multiplexes were grouped into 4 entities: Palace Cinemas Czech s.r.o. operating 8 multiplexes with 65 screens in the Czech Republic; Palace Cinemas Hungary Kft operating 4 multiplexes with 47 screens in Hungary; Palace Multikino s.r.o. and Palace Cinemas Slovak Republic s.r.o. operating 3 multiplexes with 29 screens in Slovakia. The purchase price for the transaction was EUR 28.0 million. The purchase price was based on a multiple of 6 times "normalised" EBITDA of the acquired companies during 2010. The EUR 28.0 million purchase price was made up of EUR 21.4 million to the seller in cash and the Company's assumption of EUR 6.6 million in existing debt of the acquired companies. The acquisition was financed from the Company's existing cash and from available credit lines.

Under the original purchase agreement, the Company did not acquire Palace Mozi, Kft, a Hungarian company that was owned by Palace Cinemas (Central Europe) BV. Palace Mozi operated 5 multiplexes in Budapest and 3 multiplexes outside of Budapest. In conjunction with the Palace acquisition, the Company had agreed to provide selected management services to the Palace Mozi's cinemas.

In May this year, however, the landlord at three of the Mozi multiplexes terminated the lease agreement with Palace Mozi and, in mutual settlement of outstanding amounts owed by Palace Mozi, assumed control of the assets of these multiplexes. Upon taking control, the landlord immediately leased the space occupied by these three multiplexes to the Company, which is now operating these theatres.

This acquisition and acquisition-related lease agreements have significantly strengthened the Company's position in the Hungarian and Czech markets and added Slovakia to the Company's countries of operation.

Following the closing of the acquisition, the Company immediately instituted a restructuring program in order to recognise cost savings and overhead synergies, and to integrate the Palace Cinemas organisation with Cinema City's. These cost savings were implemented at Palace Cinemas in large part in order to bring the operations of the Palace Cinemas chain in line with the structure of the Company's existing operations. Benefits resulting from this restructuring are already being realised.

Under recently adopted International Financial Reporting Standards (IFRS), companies are no longer permitted to capitalize the one-time transaction and some reorganisation costs associated with acquisitions. As a result, the Company is required to include such costs in the amount of EUR 3.0 million as part of its current expenses. Such costs incurred had a material impact on the Company's EBITDA and net income for the nine months ended 30 September 2011. In order to show a clearer comparison of nine monthly results without the disproportionate impact of these one-time expenses, the Overview of Results for the nine months ended 30 September 2011 on page 6 is presented in two separate columns: one column showing the results excluding the acquisition-related and reorganisation expenses, and the other column showing the results including acquisition-related and reorganisation expenses.

New openings, closing and signing of subsequent lease agreements

In the second quarter of 2011, the Company opened a 10-screen multiplex in Braila, Romania and closed 1 screen in Bat Yam, Israel (reducing a 4-screen multiplex to a 3-screen multiplex) and a 4-screen multiplex in Rishon Letzion, Israel. In the same quarter, 3 screens were closed in the Company's MOM Park multiplex in Budapest, Hungary, as a result of an agreement between Palace Cinemas and the landlord signed before the Palace acquisition.

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In the beginning of May 2011, the Company signed 3 new lease agreements for its theatres in Hungary, notably Palace Cinemas Duna Plaza in Budapest (7 screens), Palace Cinemas Nyir Plaza in Nyiregyhaza (6 screens) and Palace Cinemas Kaposvar Plaza (4 screens), which have all been incorporated into the Company's operations. The Company has also signed two lease agreements for multiplexes in Lublin, Poland and in Sofia, Bulgaria with openings planned in the coming years.

In the fourth quarter of 2011 to date, the Company opened an 8-screen multiplex in Arad, Romania, and an 9-screen multiplex in Toruń, Poland, and signed one lease agreement for a future multiplex in Ploesti, Romania.

Digital Projection

Digital projection represents the most important technological advance in movie viewing since the 1950s, by providing a higher quality and a sharper resolution viewing experience than traditional projectors, and through the ability to display a new generation of 3-D movies. The record breaking success of Avatar, Alice in Wonderland and other 3-D movies at the end of 2009 and in 2010, appears to have validated the long-term value proposition associated with digital projection. The Company believes that digital technology will not only continue to generate premium priced higher attendance through 3-D films and alternative content (such as operas, ballet, sporting and other events drawing worldwide attention), but it will also help to reduce cinema labour costs as digital projectors require less ongoing manpower than traditional reel-to-reel projectors.

The Company continues installing state-of-the-art digital projectors in all its theatres. Currently, including projectors installed in the recently acquired multiplexes of Palace Cinemas, the Company has more than 590 digital projectors which constitute approximately 65% of all Cinema City screens. The Company intends to accomplish the digitalisation process in the first half of 2012.

The Company has also installed special digital projectors in all of its IMAX® theatres. These projectors significantly decrease the print cost of each IMAX® film and will support the line-up of IMAX® titles expected to be released by the film studios going forward.

In the first quarter of 2011, the Company signed an agreement with Master Image, one of the leading international providers of 3-D digital movie solutions, to supply 3-D systems integrated with single-user glasses. Using the single-user glasses should allow the customer to own their 3-D glasses, and should also help the Company to optimize the operation associated with showing 3-D movies in the Company's theatre circuit.

While the Company has borne all the costs to date associated with installing digital projectors, the movie studios have also been beneficiaries of this technological upgrade as they are now able to save significant costs associated with producing and delivering traditional film. To compensate the Company for the benefits realised by the studios, the Company has agreed on a set of rules for virtual print fee agreements with all its major film suppliers (except one). Under these agreements the film studios will pay the Company a fee for each "digital print" used in the Company's multiplexes in the coming years. This fee, in essence, will allow the Company to recoup over time a portion of the costs incurred in installing digital projectors throughout its chain. The Company has already begun to benefit from these virtual print fee agreements.

Film distribution activities

Revenue generated in the first nine months of 2011 by the Company's distribution division increased by 18.7% to EUR 15.1 million from EUR 12.8 million for the same period last year. The increase was mainly due to the increase in the distribution activities in Israel supported by the revenue generated as a result of the agreement signed in September 2010 with the Israeli film distributors A.D. Matalon, which materially increased the number of films distributed by the company in Israel. Reassessment of revenue recognition estimates relating to sales to TV networks in Israel, has also contributed to the increased revenue during the nine months ended 30 September 2011. The increase in the Company's film distribution activities in Bulgaria and Romania also contributed to the increase of the film distribution revenues. The increase was partly offset by a weaker supply of movies for which the Company had distribution rights in Poland and Hungary during the nine months ended 30 September 2011 compared to the nine months ended 30 September 2010.

In May 2011, the Company launched the film distribution operations of Forum Film Slovakia, which became the 6th country, where Cinema City acts as a film distributor.

Other activities including real estate operations

Following the Company's sale of its Bulgarian real estate activities to Israel Theatres, Ltd. in April 2010, the Company ceased to be active in real estate transactions. Accordingly, other activities including real estate operations did not materially contribute to the Company's results for the first nine months of 2011 which compares to a gross profit amounting to EUR 3.0 million from the Bulgarian real estate sale during the nine months ended 30 September 2010.

Under the Company's April 2010 agreement to sell its Bulgarian real estate activities to Israel Theatres Ltd., Israel Theatres paid the Company EUR 76.2 million at the closing and agreed to pay a further EUR 15 million by no later than October 2011. On 23 October 2011 the Company signed a deferred payment agreement with Israel Theatres Real Estate Holding B.V. and Pan-Europe Finance B.V., both subsidiaries of Israel Theaters Ltd. (the "Buyers") according to which the pending payment to the Company of the remaining EUR 15 million of the purchase price for assets related to the above mentioned Bulgarian real estate activities was deferred, while the period during which the Company will be entitled to a percentage of any potential gains to be realised by the Buyers has also been extended from end of 2014 until 31 December 2018.

The Buyers have requested the Company to defer the payment of the remaining EUR 15 million in the light of the deterioration of the real estate market in Bulgaria resulting in cancellation and/or renegotiation of lease agreements with tenants and in the necessity of re-leasing the space on much less favourable conditions with significantly reduced rents. The Company and the Buyers have agreed to the following new terms:

[1] EUR 5 million will be repaid to the Company no later than 22 October 2013, EUR 5 million will be repaid no later than 22 October 2014 and EUR 5 million will be repaid no later than 22 October 2015;

[2] Early repayment is possible without prepayment penalty. The unpaid amounts will bear interest payable annually as follows: 5% for the first year, 6% for the second year and 7% for the next two years, but, in each case, cannot amount to less than the Company's average external borrowing cost plus a margin of 1%;

[3] Between the second anniversary to the extended period until 31 December 2018, the Buyers are required to pay to the Company 25% of any gain realized if and when the Bulgaria real estate assets are sold to a third party;

[4] The Buyers have waived any claims against the Company in connection with the purchase and sale of the Bulgarian real estate in 2010.

Since Israel Theaters, Ltd. indirectly also controls the majority of the shares in the Company, the new payment agreement was treated as a "related-party transaction". Consequently, the Supervisory Board of the Company formed a special committee of independent board members who, together with the Company's audit committee, considered and approved the execution of the new agreement.

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Overview of results

The Company's net income attributable to equity holders of the parent company for the nine months ended 30 September 2011 was EUR 14,775,000 and can be summarized as shown below. For comparison purposes, net results for the nine months ended 30 September 2011 excluding acquisition-related and reorganisation expenses are also presented. Cinema related revenues contain theatre operations, film distribution and cinema related real estate activities.

	For the nine months ended 30 September		
	2011 *(excluding acquisition & reorganisation expenses)*	**2011**	**2010**
		EUR (thousands, except per share data)	
Continuing operations			
Revenues from cinema-related operations	**197,578**	**197,578**	177,980
Costs from cinema-related operations	**149,494**	**149,494**	126,918
Gross result from cinema-related operations	**48,084**	**48,084**	51,062
Revenues from the sale of real estate	**-**	**-**	91,212
Cost of real estate sold	**-**	**-**	88,170
Gross result from sale of real estate	**-**	**-**	3,042
Total gross result	**48,084**	**48,084**	54,104
General and administrative expenses	**9,727**	**9,727**	9,596
Acquisition-related and reorganisation expenses	**-**	**3,021**	-
EBITDA*	**38,357**	**35,336**	44,508
Depreciation and amortisation	**18,252**	**18,252**	14,544
Operating profit	**20,105**	**17,084**	29,964
Financial income	**856**	**856**	606
Financial expenses	**(3,230)**	**(3,230)**	(2,310)
(Loss)/gain on disposals and write-off of other investments	**(156)**	**(156)**	9
Operating income before taxation	**17,575**	**14,554**	28,269
Income taxes	**811**	**811**	(3,494)
Net income from continuing operations	**18,386**	**15,365**	24,775
Loss from discontinued operations	**-**	**-**	(101)
Net income before Non-controlling interests	**18,386**	**15,365**	24,674
Non-controlling interests	**(590)**	**(590)**	148
Net income attributable to equity holders of the parent company	**17,796**	**14,775**	24,822
Weighted average number of equivalent shares (basic)	**51,200,000**	**51,200,000**	51,034,140
Weighted average number of equivalent shares (diluted)	**51,237,587**	**51,237,587**	51,093,140
Net earnings per ordinary share (basic and diluted)	**0.35**	**0.29**	0.49

* 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 from cinema related operations increased by 11.0% from EUR 178.0 million during the nine months ended 30 September 2010 to EUR 197.6 million during the nine months ended 30 September 2011.

Theatre operating revenues increased by 10.6% from EUR 163.7 million during the nine months ended 30 September 2010 to EUR 181.0 million during the nine months ended 30 September 2011. The increase in theatre operating revenues was mainly due to the contribution of the Palace Cinemas chain and new cinemas opened during 2010 and 2011 in Bulgaria and Romania. This increase was partly offset by the fact that the first nine months of 2011 did not generate 3-D blockbusters comparable to Avatar and Alice in Wonderland, which dominated the screens during nine months ended 30 September 2010, and as a result of a weaker than expected fare of summer 2011 movie releases when compared to 2010's summer releases.

Distribution operating revenues increased by 18.7% from EUR 12.8 million during the nine months ended 30 September 2010 to EUR 15.1 million during the nine months ended 30 September 2011. The increase is mainly due to two factors: (1) increased distribution activities in Israel following the agreement signed in September 2010 with the Israeli film distributors A.D. Matalon and (2) an increase in the Company's revenue generated from movie distribution to the Israeli TV networks due to the Israeli distribution arm's recent reassessment of revenue recognition estimates. The increase in the Company's film distribution activities in Bulgaria and Romania also contributed to the increase of the film distribution revenues. This increase was partly offset by a weak supply of movies in Poland and Hungary during the nine months ended 30 September 2011 in which the Company had distribution rights compared to a better supply of such movies during the nine months ended 30 September 2010.

Other revenues from cinema related operations remained at a similar level: EUR 1.4 million and EUR 1.5 million during the nine months ended 30 September 2011 and the nine months ended 30 September 2010, respectively.

During the nine months ended 30 September 2011, there were no revenues relating to real estate sold, whereas during the nine months ended 30 September 2010 total revenues from the sale of real estate amounted to EUR 91.2 million which were attributable to the sale of the Company's Bulgarian real estate.

Operating costs

Operating costs from cinema related operations, excluding depreciation and amortization, increased by 17.8% from EUR 126.9 million during the nine months ended 30 September 2010 to EUR 149.5 million during the nine months ended 30 September 2011. This increase resulted primarily from:

- an increase in theatre operating expenses primarily explained by costs related to the new cinemas in the Czech Republic, Hungary and Slovakia following the Palace Cinemas acquisition and the new cinemas opened during 2010 and 2011. This increase was partly offset by a decrease in cost due to the lower revenues as described above. The theatre operating expenses, excluding depreciation and amortisation, as a percentage of total theatre revenue increased to 75.4% for the nine months ended 30 September 2011, from 70.3% for the nine months ended 30 September 2010;

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- an increase in distribution operating expenses as a result of the increase in revenues as described above. Distribution operating expenses, excluding depreciation and amortisation, as a percentage of total distribution revenue decreased to 82.7% for the nine months ended 30 September 2011, from 89.3% for the nine months ended 30 September 2010. The decrease in expenses as a percentage of total revenue is mainly due to the increase in the distribution activities in Israel as described above.

Costs relating to real estate sold amounting to EUR 88.2 million during the nine months ended 30 September 2010 are attributable to the cost of the Company's Bulgarian real estate assets sold to Israel Theatres, Ltd. in the first nine months of 2010.

General and administrative expenses

General and administrative expenses increased by 1.4% from EUR 9.6 million for the nine months ended 30 September 2010 to EUR 9.7 million during the nine months ended 30 September 2011. The increase in general and administrative expenses is attributable to the increase in the Company's business activities, and is mainly offset by the decrease in the management bonus accrual resulting from the decrease in net income before taxation.

Acquisition-related and reorganisation expenses

The one-time acquisition-related and reorganisation expenses are the result of the Palace Cinemas acquisition. These expenses are associated primarily with legal, accounting and advisory fees to consummate the acquisition and one-time reorganisation expenses incurred in conjunction with integrating the acquisition into the Company's existing platform.

EBITDA

As a result of the factors described above, excluding the acquisition-related and reorganisation expenses, the earnings before interest tax, depreciation and amortisation (EBITDA) decreased by 13.8%, from EUR 44.5 million for the nine months ended 30 September 2010 to EUR 38.4 million for the nine months ended 30 September 2011. EBITDA including acquisition-related and reorganisation expenses, decreased by 20.6% to EUR 35.3 million for the nine months ended 30 September 2011.

Depreciation and amortisation

Depreciation and amortisation expenses increased by 25.5% from EUR 14.5 million for the nine months ended 30 September 2010 to EUR 18.3 million for the nine months ended 30 September 2011. The increase is explained mainly by higher depreciation expenses due to the newly opened theatres in 2010 and 2011 primarily in Poland, Bulgaria and Romania, and due to the new cinemas and assets acquired in the Palace Cinemas transaction in January 2011.

Operating profit

As a result of the factors described above, excluding the acquisition-related and reorganisation expenses, the operating profit decreased by 32.9% from EUR 30.0 million during the nine months ended 30 September 2010 to EUR 20.1 million during the nine months ended 30 September 2011. The operating profit including acquisition-related and reorganisation expenses decreased by 43.0% to EUR 17.1 million for the nine months ended 30 September 2011.

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Financial income/expenses

The balance of financial income resulted in a net expense of EUR 2.4 million during the nine months ended 30 September 2011 compared to a net expense of EUR 1.7 million during the nine months ended 30 September 2010. The increase is mainly due to an increase in bank debt following the Palace acquisition and due to exchange differences carried on balances denominated in currencies other than the functional currency. The increase is partly offset by interest costs capitalized for the development of new cinemas.

Income tax

Income tax amounted to a net tax income of EUR 0.8 million during the nine months ended 30 September 2011 compared to net tax expenses of EUR 3.5 million during the nine months ended 30 September 2010.

The decrease in tax expenses is mainly due to the changes in deferred taxes in Poland following the reorganisation of a number of the Company’s Polish operational companies.

As part of the reorganisation process, the shares of the operational companies in Poland were transferred to a fund and, at a later stage, these companies were transformed into so-called joint-stock partnerships.

After the completion of the reorganisation process described above, the Company will continue to exercise full control over the activities of the operational companies in Poland and will retain the same scope of rights to participate in their profits. The activities of the Polish operational companies will continue to be fully consolidated with the activities of other subsidiaries of the Cinema City group in the financial statements of the Company. The reorganisation in Poland is expected to bring organisational benefits and to enable tax optimisation when managing the operational companies.

Non-controlling interest

Non-controlling interests comprise the share of minority shareholders in profits and losses from subsidiaries that are not 100% owned by the Company and amounted to EUR 0.6 million (negative) for the nine months ended 30 September 2011 and EUR 0.1 million (positive) for the nine months ended 30 September 2010.

Net income

As a result of the factors described above, excluding the acquisition-related and reorganisation expenses, the Company’s net income attributable to equity holders of the parent company decreased by 28.3% from EUR 24.8 million during the nine months ended 30 September 2010 to EUR 17.8 million during the nine months ended 30 September 2011. The Company’s net income attributable to equity holders of the parent company, including acquisition related and reorganisation expenses, decreased by 40.5% to EUR 14.8 million for the nine months ended 30 September 2011.

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Selected financial data

	EUR		PLN	
	(thousands, except per share data)			
	For the nine months ended 30 September			
	2011	**2010**	**2011**	**2010**
Revenues from cinema-related operations	**197,578**	177,980	**794,461**	712,276
Revenues from the sale of real estate	**-**	91,212	**-**	365,030
Operating profit excluding acquisition-related and reorganisation expenses	**20,105**	29,964	**80,842**	119,916
Operating profit including acquisition-related and reorganisation expenses	**17,084**	29,964	**68,695**	119,916
Operating income before taxation excluding acquisition-related and reorganisation expenses	**17,575**	28,269	**70,669**	113,133
Operating income before taxation including acquisition-related and reorganisation expenses	**14,554**	28,269	**58,522**	113,133
Net income attributable to equity holders of the parent company excluding acquisition-related and reorganisation expenses	**17,796**	24,822	**71,558**	99,338
Net income attributable to equity holders of the parent company including acquisition-related and reorganisation expenses	**14,775**	24,822	**59,410**	99,338
Cash flows from operating activities	**26,275**	42,019	**105,652**	168,160
Cash flows (used in)/from investment activities	**(50,106)**	19,545	**(201,476)**	78,219
Cash flows from/(used in) financing activities	**20,059**	(75,203)	**80,657**	(300,962)
Decrease in cash and cash equivalents	**(4,046)**	(13,020)	**(16,269)**	(52,106)
Total assets	**322,443**	286,217	**1,422,296**	1,141,147
Provisions	**4,786**	6,250	**21,111**	24,919
Long-term liabilities	**45,180**	30,548	**199,289**	121,795
Current liabilities	**56,943**	45,304	**251,176**	180,627
Shareholders' equity	**224,396**	214,862	**989,811**	856,655
Share capital	**512**	512	**2,258**	2,041
Average number of equivalent shares	**51,200,000**	51,034,140	**51,200,000**	51,034,140
Average number of equivalent shares (diluted)	**51,237,587**	51,093,140	**51,237,587**	51,093,140
Net earnings per ordinary share (basic and diluted) excluding acquisition-related and reorganisation expenses	**0.35**	0.49	**1.41**	1.96
Net earnings per ordinary share (basic and diluted) including acquisition-related and reorganisation expenses	**0.29**	0.49	**1.17**	1.96

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Selected financial data (cont'd)

Selected financial data were translated from EUR 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.

	Exchange rate of Euro versus the Polish Zloty			
PLN/EUR	**Average exchange rate**	**Minimum exchange rate**	**Maximum exchange rate**	**Quarter end exchange rate**
2011 (nine months ended 30 September)	4.021	3.840	4.490	4.411
2010 (nine months ended 30 September)	4.002	3.836	4.177	3.987

Source: National Bank of Poland ("NBP")

Outlook for the remainder of 2011and 2012*

The film pipeline for the fourth quarter of 2011 will offer a number of promising international titles including Saga Twilight, Immortals, Mission Impossible, Happy Feet and Puss in Boots and Sherlock Holmes 2 in part of the countries. The line-up of Polish titles is also expected to be very promising in the coming quarter topped by *Bitwa Warszawska 3D*, the first Polish mega-production in 3D distributed by the Company's subsidiary Forum Film Poland, comedies *Baby są jakieś inne*, *Wyjazd integracyjny*, *Listy do M*, *Pokaż Kotku co masz w środku* and others.

The movie pipeline for the year 2012 also appears promising as it is comprised of many titles including: Puss in Boots and Sherlock Holmes 2 in part of the countries ,The Greatest Muppet Movie Ever Made, Men in Black III 3D, Ice Age: Continental Drift 3D, The Amazing Spider-Man 3D, Prometheus 3D, Titanic 3D, The Dark Knight Rises, Madagascar 3 3D, Brave 3D, Bond 23, The Twilight Saga: Breaking Dawn - Part 2, The Hobbit: An Unexpected Journey 3D, The Hunger Games, Journey 2: The Mysterious Island 3D, Star Wars: Episode I - The Phantom Menace 3D, John Carter 3D, Snow White 3D, The Avengers 3D and many others. The list of movies for next year also includes many Polish titles like the big format: *Bitwa pod Wiedniem* and *My*,*naród polski* and a number of mid-range films.

Looking back to the beginning of 2011 the Company has laid solid groundwork for further future growth in both operating and financial performance, adding a total of 177 screens (including the new screens that were opened to date) and 1 or 2 multiplexes in Romania, which are expected to open during the fourth quarter of 2011. The Company has also continues the construction of the 25 screen Planet megaplex in Rishon Letzion, Israel, which will contain the Company's first IMAX® in Israel. This project is expected to open in the summer of 2012.

Thus, the combination of acquisitions and organic growth will translate into a total growth of almost 200 screens in 2011

In 2012, the Company's plans for cinema openings include opening of 4 to 6 multiplexes in Romania with 40 to 60 screens, 2 cinemas in Bulgaria with a total of 24 screens, 1 cinema in the Czech Republic with 8 screens and the Planet megaplex in Israel with 25 screens. In total Cinema City plans to open 8 to 10 multiplexes with 97-117 screens during the upcoming year.

In Hungary, the Czech Republic and Slovakia, the Company should also benefit in the coming quarters from the inclusion of the Palace Cinemas screens, especially as they have now become fully integrated into the

DIRECTORS' REPORT

Company's operations. The fourth quarter of 2011 will be also the first quarter when the Company will start benefiting from the newly re-organized Polish corporate structure.

The ex-Palace Cinemas chain, already operationally integrated with the rest if the Cinema City chain, should improve its profitability in 2012. In addition, with no acquisitions currently on the horizon, 2012's financial results will not likely show the high financial costs of acquisition and integration that characterised 2011's results in part.

Digitalisation of the Cinema City chain should be completed in large part in the first half of 2012 and it should translate into a number of considerable benefits, both on the operational side by reducing operating expenses, and on the income side mainly by capturing the cash generative potential of 3D and alternative movie titles.

The Company continues to be very excited about its long term growth prospects in Romania. 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.

The Company currently has binding commitments for an additional 35 sites (representing over 360 screens) including 25 sites with approximately 240 screens in Romania, and has entered into negotiations in respect of a further number of sites. Notably, 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. The Company observes however that a number of malls continue to be developed and that the Company will be able to open new cinemas on this market. Nonetheless, as the Company, in most cases, does not begin to expend capital for theatre constructions in its new theatres until very close to the scheduled opening date, the failure to complete any particular mall project or even a number of projects, should not have a material negative impact on the Company's ongoing operations and results, since such failure would not pose a significant financial risk to the Company. If the completion of mall projects is either delayed or cancelled, this would only impact the rate of the Company's future growth and not its ongoing operations.

The Company's management continues to closely monitor the unfolding debt crisis in the Eurozone, its potential implications on the Company's countries of operations, and general economic and industry trends both locally and around the world. While management remains optimistic about the Company's ongoing growth prospects, there can be no assurance that the Company will not be materially adversely impacted if, among other potential negative trends, the European debt crisis leads to a 'contagion' into adjacent regions. Continued softness in consumer spending, could result in an ongoing weakness in 'mall traffic', which has historically supported theatre admissions. In addition, if consumers have less disposable income, discretionary entertainment choices, such as movie going, could be adversely impacted. Even if movie going itself is not materially adversely impacted, movie goers could determine to spend less money for food and drinks at the Company's high-margin concession stands. Moreover, advertisers could decrease their use of the Company's expanding theatre and screen advertising services. Management has noted, however, throughout years of economic distress, movie going often increases. Consumers typically desire to spend their smaller pools of discretionary funds on relatively inexpensive forms of 'escapist' entertainment such as movie going.

*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.

DIRECTORS' 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, the following shareholders are entitled to exercise over 5% of voting rights at the General Meeting of Shareholders in the Company:

	As of 15 November 2011 Number of shares/ % of shares	**Increase/ (decrease) Number of shares**	**As of 30 September 2011 Number of shares/ % of shares(1)**	**Increase/ (decrease) Number of shares**	**As of 31 December 2010 Number of shares/ % of shares**
I.T. International Theatres Ltd.	27,589,996 / 53.89%	-	27,589,996 / 53.89%	-	27,589,996 / 53.89%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	5,004,326 / 9.77%	-	5,004,326 / 9.77%	-	5,004,326 / 9.77%
Aviva Investors Poland SA	2,998,479 / 5.86%	-	2,998,479 / 5.86%	-.	2,998,479 / 5.86%
BZ WBK TFI SA(5)	2,661,049 / 5.20%	-	2,661,049 / 5.20%	-	2,661,049 / 5.20%

Changes in ownership of shares and rights to shares by Management Board members in the nine months ended 30 September 2011 and in the year to the date of publication of the report

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

	As of 15 November 2011 Number of shares/ % of shares	**Increase/ (decrease) Number of shares**	**As of 30 September 2011 Number of shares/ % of shares**	**Increase/ (decrease) Number of shares**	**As of 31 December 2010 Number of shares/ % of shares**
Moshe Greidinger*	10,498,565/ 20.51%	-	10,498,565/ 20.51%	912,435	9,586,130 / 18.72%
Amos Weltsch	None	-	None	-	None
Israel Greidinger*	10,498,565/ 20.51%	-	10,498,565/ 20.51%	912,435	9,586,130 / 18.72%

* The shares held by Messrs Moshe and Israel Greidinger are held indirectly through I.T. International Theatres Ltd. On 4 January 2011, Israel Theatres Ltd. purchased part of its own shares from one of the shareholders. Toward the end of August 2011, Israel Theatres Ltd. purchased part of its own shares from one of the shareholders and the company redeemed its redeemable shares. As a result of these transactions, the number of shares indirectly held increased by 912,435 for each

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 2010 until 15 November 2011.

Changes in ownership of shares and rights to shares by Supervisory Board members in the nine months ended 30 September 2011 and in the year to 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 2010 until 15 November 2011.

DIRECTORS' REPORT

Additional information to the report (cont'd)

Changes in the composition of the Supervisory Board

On 15 October 2011, Chairman of the Supervisory Board, Mr Coleman K. Greidinger passed away. On 14 November 2011, Mr Scott Rosenblum was appointed Chairman of the Supervisory Board.

Other

As of 30 September 2011, the Group has issued guarantees for loans that in total amount to EUR 12 million and PLN 255.5 (EUR 57.5) million in connection with loans provided to subsidiaries.

As of 30 September 2011, 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 2011 :

- a decrease in the provision for deferred tax liabilities of EUR 2,198,000 (a decrease of EUR 3,289,000 during the 3 months ended 30 September 2011);
- a decrease in the provision for accrued employee retirement rights of EUR 155,000 (a decrease of EUR 27,000 during the 3 months ended 30 September 2011).

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, 15 November 2011

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 September 2011 (Unaudited)	30 June 2011 (Unaudited)	31 December 2010 (Audited*)	30 September 2010 (Unaudited)
	EUR (thousands)			
ASSETS				
FIXED ASSETS				
Intangible fixed assets	**10,749**	**10,915**	801	819
Property and equipment	**249,772**	**256,967**	231,761	226,939
Other non-current assets	**3,169**	**3,839**	2,030	1,715
Total fixed assets	**263,690**	**271,721**	234,592	229,473
CURRENT ASSETS				
Inventories	**6,055**	**5,461**	4,660	4,535
Trade and other receivables	**45,345**	**42,979**	41,616	41,851
Other current financial assets	**534**	**91**	280	634
Cash and cash equivalents	**6,481**	**8,847**	10,527	9,397
Short term bank deposits – collateralized	**338**	**335**	329	327
Total current assets	**58,753**	**57,713**	57,412	56,744
TOTAL ASSETS	**322,443**	**329,434**	292,004	286,217
SHAREHOLDERS’ EQUITY AND LIABILITIES				
SHAREHOLDERS’ EQUITY	**224,396**	**228,546**	221,730	214,862
Minority interests	**(4,076)**	**(4,339)**	(4,957)	(4,497)
LONG-TERM LIABILITIES				
Long-term loans, net of current portion	**36,906**	**35,642**	19,066	19,722
Provisions	**4,786**	**8,102**	7,139	6,250
Other long-term liabilities	**3,488**	**4,467**	4,517	4,576
Total long-term liabilities	**45,180**	**48,211**	30,722	30,548
CURRENT LIABILITIES				
Short-term bank credit	**18,560**	**20,031**	12,111	15,150
Other current liabilities	**38,383**	**36,985**	32,398	30,154
Total current liabilities	**56,943**	**57,016**	44,509	45,304
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES	**322,443**	**329,434**	292,004	286,217

* Extracted from the 2010 Annual Accounts.

CONDENSED CONSOLIDATED INCOME STATEMENT

	For the 9 months ended 30 September 2011 (Unaudited)	For the 3 months ended 30 September 2011 (Unaudited)	For the 9 months ended 30 September 2010 (Unaudited)	For the 3 months ended 30 September 2010 (Unaudited)
	EUR (thousands)			
Continuing operations				
Revenues from cinema related operations	**197,578**	**69,386**	177,980	61,586
Operating costs from cinema related operations	**167,746**	**58,456**	141,462	50,207
Gross margin from cinema related operations	**29,832**	**10,930**	36,518	11,379
Revenue from the sale of real estate	**-**	**-**	91,212	-
Operating costs of real estate sold	**-**	**-**	88,170	45
Gross margin from sale of real estate	**-**	**-**	3,042	(45)
Total revenues	**197,578**	**69,386**	269,192	61,586
Total operating costs	**167,746**	**58,456**	229,632	50,252
Total gross margin	**29,832**	**10,930**	39,560	11,334
General and administrative expenses	**9,727**	**3,301**	9,596	3,092
Acquisition-related and reorganisation expenses	**3,021**	**439**	-	-
Operating profit	**17,084**	**7,190**	29,964	8,242
Financial income	**856**	**225**	606	206
Financial expenses	**(3,230)**	**(1,479)**	(2,310)	45
(Loss)/gain on disposals and write-off of other investments	**(156)**	**(108)**	9	29
Operating income before taxation	**14,554**	**5,828**	28,269	8,522
Income tax	**811**	**1,845**	(3,494)	(1,142)
Net income from continuing operations	**15,365**	**7,673**	24,775	7,380
Discontinued operations				
Loss from discontinued operations	**-**	**-**	(101)	(32)
Net income for the period	**15,365**	**7,673**	24,674	7,348
Attributable to:				
Equity holders of the parent company	**14,775**	**7,494**	24,822	7,289
Non-controlling interest related to continued operations	**590**	**179**	(144)	60
Non-controlling interest related to discontinued operations	**-**	**-**	(4)	(1)
Net income for the period	**15,365**	**7,673**	24,674	7,348

CONDENSED CONSOLIDATED INCOME STATEMENT

	For the 9 months ended 30 September 2011 (Unaudited)	For the 3 months ended 30 September 2011 (Unaudited)	For the 9 months ended 30 September 2010 (Unaudited*)	For the 3 months ended 30 September 2010 (Unaudited*)
	EUR (thousands, except per share data and number of shares)			
Net income attributable to equity holders of the parent company	**14,775**	**7,494**	24,822	7,289
Earnings per share				
Weighted average number of equivalent shares (basic)	**51,200,000**	**51,200,000**	51,034,140	51,200,000
Weighted average number of equivalent shares (diluted)	**51,237,587**	**51,220,429**	51,093,140	51,259,000
Net earnings per share for profit attributable to the owners of the company (basic and diluted)	**0.29**	**0.15**	0.49	0.14
Net earnings per share for profit from continuing operations attributable to the owners of the company (basic and diluted)	**0.29**	**0.15**	0.49	0.14

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the 9 months ended 30 September 2011 (Unaudited)	For the 3 months ended 30 September 2011 (Unaudited)	For the 9 months ended 30 September 2010 (Unaudited)	For the 3 months ended 30 September 2010 (Unaudited)
	EUR (thousands)			
Balance as of the beginning of the period	**221,730**	**228,546**	183,796	203,728
Issue of new shares	**-**	**-**	1,771	-
Share based payment	**12**	**4**	47	16
Net income for the period	**14,775**	**7,494**	24,822	7,289
Foreign currency translation adjustment	**(12,530)**	**(12,173)**	5,319	4,703
Effective portion in fair value of cash flow hedges	**409**	**525**	(893)	(874)
Balance at the end of the period	**224,396**	**224,396**	214,862	214,862

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the 9 months ended 30 September 2011 (Unaudited)	For the 3 months ended 30 September 2011 (Unaudited)	For the 9 months ended 30 September 2010 (Unaudited)	For the 3 months ended 30 September 2010 (Unaudited)
	EUR (thousands)			
Cash flows from operating activities	**26,275**	**11,233**	42,019	14,229
Cash flows (used in) / from investing activities	**(50,106)**	**(15,687)**	19,545	(16,165)
Cash flows from / (used in) financing activities	**20,059**	**2,421**	(75,203)	509
Foreign currency exchange differences on cash	**(274)**	**(333)**	619	236
Decrease in cash and cash equivalents	**(4,046)**	**(2,366)**	(13,020)	(1,191)
Cash and cash equivalents at the beginning of the period	**10,527**	**8,847**	22,417	10,588
Cash and cash equivalents at the end of the period	**6,481**	**6,481**	9,397	9,397

Notes to the Condensed Consolidated Interim Financial Statements

Note 1 – General and principal activities

Cinema City International N.V. ("the Company") is incorporated and domiciled in the Netherlands. The shares in the Company are traded on the Warsaw Stock Exchange. As at 30 September 2011, 53.89% of the outstanding shares in the Company are held by I.T. International Theatres Ltd. ("ITIT"), incorporated in Israel. The Company and its subsidiaries and joint ventures are principally engaged in the operation of entertainment activities in various countries including: Poland, Hungary, Czech Republic, Bulgaria, Romania, Slovakia 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. 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.

The Condensed Consolidated Interim Financial Statements of the Company for the nine months ended 30 September 2011 comprise the Company and its subsidiaries and joint ventures (together referred to as "the Group") and the Group's interest in associates.

A list of the companies from which the financial data are included in these Condensed Consolidated Interim Financial Statements and the extent of ownership and control are presented in the Company's Consolidated Financial Statements for the year ended 31 December 2010. Entities newly included in consolidation during the nine months ended 30 September 2011 are disclosed in Note 3.

Note 2 – Summary of significant accounting policies

A. Basis of preparation

Except as described the Company's Condensed Consolidated Interim Financial Statements for the nine months ended 30 September 2011, the accounting policies applied by the Company in these Condensed Consolidated Interim Financial Statements are the same as those applied by the Company in its consolidated financial statements for the year ended 31 December 2010.

The 30 September 2011 Condensed Consolidated Interim Financial Statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited 2010 Annual Accounts which have been prepared in accordance with International Financial Reporting Standards (IFRS) and in conjunction with the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2011 which have been prepared in accordance with IAS 34 Interim Financial Reporting.

The Consolidated Financial Statements of the Group for the year ended 31 December 2010 and the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2011 are available upon request from the Company's registered office at Weena 210-212, 3012 NJ Rotterdam, the Netherlands or at the Company's website: www.cinemacity.nl/en.

Notes to the Condensed Consolidated Interim Financial Statements

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

B. The 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. In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by the Management Board in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2010 except as described in the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2011 .

C. 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 Romanian new lei 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 euro (presentation currency of the Company) for both 2010 and 2011 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.

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.

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.

Notes to the Condensed Consolidated Interim Financial Statements

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)**
30 September 2011	**24.56**	**291.59**	**4.44**	**1.36**	**5.04**	**4.31**
31 December 2010	25.29	280.03	3.97	1.33	4.74	4.30
30 September 2010	24.61	276.99	3.98	1.36	4.99	4.28

Change during the period	**%**	**%**	**%**	**%**	**%**	**%**
2011 (9 months)	**(2.89)**	**4.13**	**11.84**	**2.26**	**6.33**	**0.23**
2010 (12 months)	(4.28)	2.71	(4.11)	(6.99)	(12.87)	1.18
2010 (9 months)	(6.85)	1.59	(3.86)	(4.90)	(8.27)	0.71

	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)**
2011 (9 months)	**24.36**	**271.09**	**4.01**	**1.41**	**4.96**	**4.21**
2010 (12 months)	25.32	275.94	4.00	1.33	4.95	4.22
2010 (9 months)	25.50	275.79	4.01	1.32	4.96	4.20

Change during the period	**%**	**%**	**%**	**%**	**%**	**%**
2011 (9 months)	**(3.79)**	**(1.76)**	**0.25**	**6.02**	**0.20**	**(0.24)**
2010 (12 months)	(4.38)	(1.85)	(7.83)	(4.32)	(9.51)	(0.71)
2010 (9 months)	(3.70)	(1.91)	(7.60)	(5.04)	(9.32)	(1.18)

	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)**
2011	**24.36**	**274.2**	**4.14**	**1.42**	**5.01**	**4.26**
2010	24.97	283.01	4.02	1.29	4.90	4.27

Change quarter over quarter	**%**	**%**	**%**	**%**	**%**	%
2011	**(2.44)**	**(3.11)**	**2.99**	**10.08**	**2.24**	**(0.23)**
2010	(2.61)	4.02	(4.51)	(9.79)	(10.58)	0.71

* 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.

Notes to the Condensed Consolidated Interim Financial Statements

Note 3 – Changes in Consolidated Entities

Changes in consolidated and associated entities during the first nine months of 2011:

Entity newly in consolidation:

- Palace Cinemas Czech s.r.o., 100% owned by the Company, incorporated in the Czech Republic
- Palace Cinemas Hungary Kft, 100% owned by the Company, incorporated in Hungary
- Palace Cinemas Slovak Republic s.r.o., 100% owned by the Company, incorporated in Slovakia (in the third quarter of 2011 the company has merged into Cinema City Slovakia s.r.o)
- Palace Multikino s.r.o., 100% owned by the Company, incorporated in Slovakia (in May 2011, the name of this company was changed to Cinema City Slovakia s.r.o.).

  All of the companies above were acquired as part of the Palace Cinemas acquisition in January 2011 (see Note 4).
- Forum Film Slovakia s.r.o., 100% owned by the Company, incorporated in Slovakia in May 2011. This entity specialises in the distribution of movies in Slovakia.
- Seracus Ltd., 100% owned by the Company, incorporated in Cyprus. In the third quarter, the Company contributed its shares in Cinema City Poland Sp. Zo.o., I.T Poland Development 2003 Sp. Zo.o., Forum Film Poland Sp. Zo.o., New Age Media Sp. Zo.o. and All Job Poland Sp. Zo.o. (Polish subsidiaries) to a Polish fund, owned by Seracus Ltd., a subsidiary wholly owned by the Company. Following the contribution, the Polish subsidiaries were transferred into so-called joint-stock partnerships. These Polish entities will continue to be fully included in the Company's consolidated financial statements.

Note 4 – Acquisitions

On 19 January 2011, the Company signed a share and asset purchase agreement with Palace Cinemas (Central Europe) B.V. ('Palace Cinemas'), under which agreement the Company acquired 100% of the shares in four Central European subsidiaries of Palace Cinemas, notably: Palace Cinemas Czech s.r.o., Palace Cinemas Hungary Kft, Palace Cinemas Slovak Republic s.r.o. and Palace Multikino s.r.o. and related assets. The acquisition comprised in total 15 multiplexes with 141 screens in the Czech Republic, Hungary and Slovakia plus a leasing agreement for 1 multiplex with 8 screens in Ostrava, the Czech Republic planned to be opened in 2012. Under the share and asset purchase agreement with Palace Cinemas, the Company is also rendering selected management services, during a transitional period, for the 8 multiplexes (with 48 screens) operated by Palace Mozi Kft, a Hungarian subsidiary of Palace Cinemas that was not acquired by the Company. In May 2011, the landlord at 3 of these multiplexes terminated the lease agreement with Palace Mozi Kft and, in mutual settlement of outstanding amounts owed by Palace Mozi Kft, assumed control of the assets of these multiplexes. Upon taking control, the landlord immediately leased the space occupied by these 3 multiplexes to the Company, which is currently operating these theatres.

At the closing, the Company paid EUR 21.4 million to the seller and assumed EUR 6.6 million in existing debt of the acquired companies. The acquisition was financed from the Company's existing cash and from available credit lines.

The Company, supported by an independent valuation expert, identified the fair value of assets acquired and liabilities assumed on acquisition date (Purchase Price Allocation). The excess of the cost of the business acquired over the fair value of identifiable assets and liabilities resulted in goodwill.

In connection with the acquisition, an amount of approximately EUR 8.8 million was recognised as goodwill which is mainly made up of future economic benefits including post-acquisition synergies. The fair value of the total consideration transferred as at acquisition date amounted to EUR 21.4 million.

The Company incurred acquisition-related costs of EUR 3.0 million associated primarily with legal, accounting and advisory fees and one-time reorganisation expenses in conjunction with integrating the acquisition into the Company's existing platform. These amounts have been included in the Condensed Consolidated Income Statement as Acquisition-related and reorganisation expense.

Notes to the Condensed Consolidated Interim Financial Statements

Note 5 – 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 2010 except for the matter described below, the commitments, contingent liabilities and liens as disclosed in the Company's Annual Accounts for the year ended 31 December 2010 have not materially changed as at 30 September 2011, except for further commitments to open new cinemas as part of the Company's expansion plans and except for new commitments and securities as disclosed below.

As part of the Palace Cinemas acquisition in January 2011 the Company assumed EUR 6.6 million in existing debt of the acquired companies including existing securities such as pledge over properties, share capital and receivables.

During the nine months ended 30 September 2011, the Company provided a guarantee for new loans to a Polish bank totalling PLN 67 million (EUR 16.7 million). As of 30 September 2011, the Group has guarantees for loans that in total amount to EUR 12 million and PLN 255.5 million (EUR 57.5 million) in connection with loans provided to subsidiaries.

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 full detail in the 2010 Annual Accounts. As at 30 September 2011, the Company has hedged some of its USD and Euro expenses through June 2011 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 the following forward foreign exchange contracts:

(1) contracts comprising a commitment to buy USD 400,000 at the beginning of each month until May 2012 at fixed prices denominated in Polish zloty;
(2) contracts comprising a commitment to buy USD 255,000 at the beginning of each month until May 2012 at fixed prices denominated in Hungarian forint;
(3) contracts comprising a commitment to sell USD 600,000 at the middle of November 2011 at fixed prices denominated in Polish zloty.
(4) contracts comprising a commitment to sell EUR 1,600,000 at the middle of November 2011 at fixed prices denominated in Polish zloty

Forward foreign exchange contracts have been valued in the Condensed Consolidated Statement of Financial Position at 30 September 2011 at their fair value. The valuation of contracts 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 USD and the Euro against local currency as described above. Amounts are released from the Hedge reserve to profit or loss when the future transaction is settled.

Note 7 – 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 2011 was 51,200,000 and remained unchanged during the first nine months of 2011.

Notes to the Condensed Consolidated Interim Financial Statements

Note 8 - Segment Reporting

The Group's operations in Israel and Central Europe are organised under the reportable segments, as described below, which are the Group's major business segments. The strategic business units offer different products and services because they require different processes and marketing strategies. For each of the strategic business units, the Management Board reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Theatre operations.
- Distribution - Distribution of movies.
- DVD distribution (discontinued – see Note 9).
- Other- this includes the Company's cinema related real estate activities and the sale of real estate.

	For the nine months ended 30 September 2011 EUR (thousands) – (Unaudited)				
	Theatre operations	**Distribution**	**Other**	**Eliminations**	**Consolidated**
Revenues					
External sales	181,002	15,143	1,433	-	197,578
Inter-segment sales	21	10,936	-	(10,957)	-
Total revenues	181,023	26,079	1,433	(10,957)	197,578
Segment results	15,520	1,251	313	-	17,084
Net financial expense					(2,374)
Net loss on disposals					(156)
Income taxes					811
Non-controlling interests					(590)
Net income					14,775

	30 September 2011 EUR (thousands) – (Unaudited)				
	Theatre operations	**Distribution**	**Other**	**Unallocated**	**Consolidated**
Segment assets	292,132	10,394	16,748	3,169	322,443
Segment liabilities	33,706	5,673	3,071	59,673	102,123
Capital expenditure	32,006	576	-	-	32,582

Notes to the Condensed Consolidated Interim Financial Statements

Note 8 - Segment Reporting (cont'd)

	For the nine months ended 30 September 2010 EUR (thousands) – (unaudited)							
	Theatre operations	**Distribution**	**DVD distri-bution (discon--tinued)**	**Other**	**Elimi-nations**	**Conso-lidated**	**Less: DVD distri-bution (discon-tinued)**	**Conti-nuing operations**
Revenues								
External sales	163,686	12,761	2,553	92,745		271,745	2,553	269,192
Inter-segment sales *	41	9,267	-	-	(9,308)	-	-	-
Total revenues	163,727	22,028	2,553	92,745	(9,308)	271,745	2,553	269,192
Segment results	26,788	305	102	2,871	-	30,066	102	29,964
Net financial expense						(1,781)	(77)	(1,704)
Gain and loss on disposals						38	29	9
Income taxes						(3,649)	(155)	(3,494)
Non controlling interests						148	4	144
Net income						24,822	(97)	24,919

	30 September 2010 EUR (thousands) – (unaudited)					
	Theatre operations	**Distribution**	**DVD distribution (discontinued)**	**Other**	**Unallocated**	**Consolidated**
Segment assets *	255,704	10,521	676	17,601	1,715	286,217
Segment liabilities	27,900	4,597	2,695	154	40,506	75,852
Capital expenditure	31,546	260	-	4,511	-	36,317

* reclassified for comparison

Note 9 – Discontinued operations

Towards the end of 2009, the Company decided to terminate its DVD distribution activities in Hungary as well as in the Czech Republic. The film distribution activities in these two countries have been taken place in an unpredictable market environment making it difficult for management to derive real growth and profitability from this segment. The condensed consolidated income statement for the nine months ended 30 September 2010 comprises the results from film distribution activities in Hungary and the Czech Republic which were discontinued in 2010.

Notes to the Condensed Consolidated Interim Financial Statements

Note 10 – Related party transactions

There were no material transactions and balances with related parties during the nine months ended 30 September 2011 other than were already disclosed in 2010 annual accounts.

Note 11 – Share-based payments

The Company has implemented a long-term incentive plan (the "Plan"). Under the Plan, share options can be granted to members of the Management Board and selected employees. For details of the Plan, reference is made to the Consolidated Financial Statements of the Group for the year ended 31 December 2010. No new options were granted to employees during the nine months ended 30 September .
The weighted average exercise price of options outstanding (vested but not yet exercised) is approximately EUR 6.25. The number of exercisable options at 30 September 2011 is 104,333.
The impact of the share-based payments on the financial statements of the Company for the nine months ended 30 September 2011 was an expense of EUR 12,000 (nine months ended 30 September 2010: EUR 47,000) recognised in the income statement with a corresponding increase in equity. During the nine months ended 30 September 2011 the options were neither forfeited nor lapsed (during the year 2010 the term of 43,000 options has been lapsed).

Note 12 – Impairment losses and provisions

During the nine months ended 30 September 2011, no impairment losses were charged.

Note 13 – Subsequent events

On 23 October 2011, the Company signed a deferred payment agreement with Israel Theatres Real Estate Holding B.V. and Pan-Europe Finance B.V., both subsidiaries of Israel Theatres, Ltd., the Company's ultimate parent company, according to which the pending payment to the Company of EUR 15 million is deferred. The amount receivable from these related parties relates to the sale of the Bulgarian real estate activities in 2010. The new payment agreement is described on page 5 of this report.