Cinema City International N.V.

Interim Financial Report
for the six months ended
30 June 2012

CONTENTS

DIRECTORS' REPORT

General

Introduction

Cinema City International N.V. (the "Company"), incorporated in the Netherlands, is a subsidiary of I.T. International Theatres Ltd. ("ITIT" or "parent company"). The Company (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.

Cinema City is the largest cinema operator in Central and Eastern Europe as well as in Israel and the third largest cinema operator in all of Europe. **As at 30 August 2012 the Company operates 98 multiplexes with a total of 943 screens.** In the CEE countries the Company operates cinemas under the Cinema City brand and in Israel under the Yes Planet and Rav-Chen brands. Theatre operations are the Company's core business comprising selling tickets, snacks and beverages in concession stands as well as cinema advertising run under its brand name New Age Media. The Company also maintains an exclusive arrangement with IMAX® Corporation to develop IMAX® theatres in the countries of its operation. **The Company is the fastest growing cinema chain in Europe with plans to open 29 new multiplexes (approximately 300 screens) underpinned with binding lease agreements.** The Company is also running film distribution through its local subsidiary companies branded Forum Film in all countries. Cinema City maintains a small-scale cinema-related real estate presence in selected countries.

The Company's shares are traded on the Warsaw Stock Exchange. As of 30 August 2012, the market share price was PLN 26.1 (EUR 6.31), giving the Company a market capitalisation of EUR 322.9 million. The Company's office is located in Rotterdam, the Netherlands.

Highlights during the six months ended 30 June 2012

- **In the first half year of 2012, Cinema City generated EUR 121.1 million (-5.5% yoy) revenue. Consolidated EBITDA was EUR 24.2 million (-1.8% yoy) and net income of EUR 7.2 million (-27.0% yoy) (excluding acquisition-related and reorganisation expenses). Including acquisition-related and reorganisation expenses, the EBITDA increased by 9.7% and net income decreased by 1.2%.**

- **In the quarter ended 30 June 2012, Cinema City generated EUR 58.6 million (-6.1% yoy) revenues. Consolidated EBITDA was EUR 10.8 million (-4.3% yoy) and net income totalled EUR 2.1 million (-46.7% yoy) (excluding acquisition-related and reorganisation expenses). Including acquisition-related and reorganisation expenses, the EBITDA and the net income decreased by 2.4% and 43.6% respectively.**

- **The number of tickets sold in the 6 month ended 30 June 2012 decreased to 16.1 million (-4.9% yoy) compare to 17.0 million with the number of admissions on a same theatre basis decreased by 8.2% to 15.6 million.**

DIRECTORS' REPORT

- **The number of tickets sold in the quarter ended 30 June 2012 decreased to 7.6 million (-3.6% yoy) with the number of admissions on a same theatre basis decreased to by 6.6% to 7.4 million.**
- **In March 2012 the Company opened an 8-screen multiplex in Ostrava, Czech Republic and closed an 8-screen cinema Hostivar in Prague. In May 2012 the Company opened two additional cinemas: in Constanta, Romania (8 screens) and in Burgas, Bulgaria (10 screens). In July 2012, before the date of this report, the Company opened its 24-screen megaplex flagship project, Yes Planet in Rishon LeZion, Israel.**
- **Cinema City is fully digital. In the first half year of 2012 the Company completed the digitalisation of all of its movie exhibition auditoriums and now operates digital projectors on all of its screens.**
- **Film distribution business continued to grow with higher revenue and EBITDA. In March 2012, the Company launched Forum Film Czech's activity and currently acts as film distributor in all its countries of operations.**

Theatre operations

Theatre operations performance

The Company's theatre operations in the first six months of 2012 generated revenue of EUR 110.2 million, 5.7% less compared to the first six months of 2011. This decrease was mainly due to two factors: (1) lower theatre admissions and (2) the weakness of the local currencies against the Euro compared to the same period last year. A portion of this weakness was offset by the increase of the average ticket price in local currencies in most of the Company's territories of operation. Cinema attendance was down by 4.9% to 16.1 million tickets and varied by territory from positive volumes in Romania, Hungary and Czech Republic, through stable attendance in Israel and lower admissions in Poland, Bulgaria and Slovakia. Most notable international titles of the quarter were Hunger Games, The Avengers and Men in Black, followed by a number of mid-range international titles. However, a more modest line-up of Polish domestic films compared to the first six months of 2011, when more number of domestic Polish titles were released following a quiet 2010 and the effect of the EURO Championship, which was held in Poland during June, led to lower volumes in Poland, which has negatively impacted overall performance of the Company on the admission level. In like-for-like terms, the Company sold 15.6 million tickets in the first six months of 2012, 8.2% less compared to the first six months of 2011. The average ticket price was EUR 4.5 a decrease of 2.8% over the same period last year, while in local currencies the average ticket prices were higher in almost all countries of operation.

DIRECTORS' REPORT

New openings, closing and signing of subsequent lease agreements

In March 2012, the Company opened its first multiplex in Ostrava, Czech Republic (8 screens). This Cinema is the second multiplex in Ostrava, and given that the only other multiplex in the city has historically generated very high admission rates, the Company believes this will be a good strategic addition to the Company's theatre chain. In addition, during May 2012 the Company opened 2 new cinemas: the first in Burgas, Bulgaria (10 screens) and the second in Constanta, Romania (8 screens). Both cinemas are the first and only multiplexes in their cities. At the end of March 2012, the Company closed an 8-screen cinema in Hostivar, Prague, as scheduled. This multiplex was part of the Palace Cinemas acquisition and was located close to another cinema that the Company continues to operate.

During the first half of 2012 the acquired multiplexes of Palace Cinemas, which were already fully integrated with Cinema City's organisation in 2011, continued to deliver positive results from the implemented integration plan. During the period the Company also no longer incurred any one-time reorganisation costs, which in the first half year of 2011 amounted to over EUR 2.6 million. During the first half year of 2012, the Company was still re-negotiating several lease agreements, which if successfully completed should bring additional costs savings in 2012.

Yes Planet Rishon LeZion.

In July, before the date of this report, the Company opened its new flagship 24-screen megaplex Yes Planet in Rishon LeZion, Israel. The cinema has 3,632 seats and is 100% digital, and includes its first digital IMAX theatre in the country. The cinema will also offer the first 4DX cinema projection in its circuit which apparently will be the first 4DX in Europe. The new megaplex is the largest and the most technologically advanced cinema in the Company's operations.

Digital Projection

During the first half of 2012, the Company completed converting all of its auditoriums into digital format. The Company expects to realize a number of benefits both in terms of increased revenues and reduced costs. The Company is now able to offer the best viewing experience, including 3D format, in all its multiplexes on a maximum scale. The Company thus continues to capture 3D ticket price premium, which is supporting revenues and EBITDA. However, the biggest titles in 3D for 2012, including sequels of Madagascar and Ice Age as well as the first part of the Hobbit, were and will be released during the second half of the year. Full digitalisation should also translate into a reduction of operating costs including mainly support from film studios based on VPF formula, a reduction of payroll in projection rooms and savings in cinema advertising costs.

DIRECTORS' REPORT

Film distribution activities

Revenues generated by the Company's distribution division decreased by 3.6% to EUR 9.9 million during the first six months of 2012 and EBITDA from this segment went up from EUR 1 million to EUR 2.6 million. The main reason for the increase in the EBITDA was the increasing number of independent movies that the Company distributed during the period compared to last year which were recognized as intangible assets and subsequently amortised in accordance with IAS 38. Net performance of film distribution improved in all of the Company territories during the first six months of 2012, particularly in Poland.

With the launching of Forum Film Czech in March 2012, the Company is now active in film distribution in all its territories of operation. During the second quarter of 2012, the Company completed its acquisition of the non-controlling interests in Norma Film Ltd. (Forum Film Israel). The non-controlling interests were acquired for EUR 1,755,000 from I.M. Greidinger Ltd. ('IMG'), an Israeli company owned by Messrs Moshe Greidinger and Israel Greidinger, both Managing Directors and (indirectly) shareholders of the Company. As a result of the transaction, Norma Film Ltd. is now a fully owned subsidiary of the Company.

Other activities including real estate operations

Other activities including real estate operations did not materially contribute to the Company's results for the first six months of 2012. With the opening of its third megaplex Yes Planet in Israel, the Company expects this business line to grow going forward, as it will realize rental revenue from the food and beverage shops that it is leasing on the complex.

DIRECTORS' REPORT

Overview of results

The Company's net income attributable to equity holders of the parent company for the six months ended 30 June 2012 was EUR 7,197,000 and can be summarised as shown below. In connection with the Palace cinema acquisition in January 2011, the Company incurred acquisition-related and reorganisation expenses, which costs had a material impact on the Company's EBITDA and net income for the six months ended 30 June 2011. In order to show a clearer comparison of quarterly results without the disproportionate impact of these one-time expenses, the net results for the first six months of 2011 are 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.

	For the six months ended 30 June		
	2012	**2011** *(excluding acquisition & reorganisation expenses)*	**2011**
	EUR (thousands, except per share data)		
Revenues	**121,090**	128,192	128,192
Operating costs, excluding depreciation and amortisation	**90,778**	97,101	97,101
Gross result	**30,312**	31,091	31,091
General and administrative expenses	**6,097**	6,426	6,426
Acquisition-related and reorganisation expenses	**-**	-	2,582
EBITDA*	**24,215**	24,665	22,083
Depreciation and amortisation	**14,970**	12,189	12,189
Operating profit	**9,245**	12,476	9,894
Financial income	**915**	631	631
Financial expenses	**(2,222)**	(1,751)	(1,751)
Loss on disposals and write-off of other investments	**(8)**	(48)	(48)
Operating income before taxation	**7,930**	11,308	8,726
Income tax benefit/(expense)	**(482)**	(1,034)	(1,034)
Net income before non-controlling interests	**7,448**	10,274	7,692
Non-controlling interests	**(251)**	(411)	(411)
Net income attributable to equity holders of the company	**7,197**	9,863	7,281
Weighted average number of equivalent shares (basic)	**51,200,000**	51,200,000	51,200,000
Weighted average number of equivalent shares (diluted)	**51,223,291**	51,244,510	51,244,510
Net earnings per ordinary share (basic and diluted)	**0.14**	0.19	0.14

* 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

DIRECTORS’ REPORT

Revenues

Total revenues decreased by 5.5% from EUR 128.2 million during the six months ended 30 June 2011 to EUR 121.1 million during the six months ended 30 June 2012.

Theatre operating revenues decreased by 5.7% from EUR 116.9 million during the six months ended 30 June 2011 to EUR 110.2 million during the six months ended 30 June 2012. This decrease is mainly due to two factors: (1) the decrease in theatre admissions, mainly in Poland, and (2) the increase in the value of the Euro against local currencies compared to the same period last year mainly with the Polish zloty +7.3%, the Romania new lei +5% and the Hungarian forint +9.7%.

Distribution operating revenues decreased by 3.6% from EUR 10.3 million during the six months ended 30 June 2011 to EUR 9.9 million during the six months ended 30 June 2012. The decrease is mainly due to the weakness of the local currencies against the Euro compared to the same period last year mainly in Poland, Hungary and Romania (as described above).

Other revenues decreased by 8.2% from EUR 1.0 million during the six months ended 30 June 2011 to EUR 0.9 million during the six months ended 30 June 2012.

Operating costs

Operating costs, excluding depreciation and amortisation, decreased by 6.5% from EUR 97.1 million during the six months ended 30 June 2011 to EUR 90.8 million during the six months ended 30 June 2012. This decrease resulted primarily from the total effects of:

- A decrease in theatre operating expenses primarily explained by the decrease in the revenue generated from theatre operation as mentioned above. In addition, the reorganisation in the Palace Cinemas in the Czech Republic, Hungary and Slovakia and the digitalisation process which the Company completed during the first half of 2012 contributed to the decrease in operating costs. Although the revenue generated from theatre operations decreased, the theatre operating expenses, excluding depreciation and amortisation, as a percentage of total theatre revenues remained at the same level for the six months ended 30 June 2012 as it was for the six months ended 30 June 2011.
- A decrease in distribution operating expenses as a result of the recognition of new distribution rights as intangible assets, to be subsequently amortised. Distribution operating expenses, excluding depreciation and amortisation, as a percentage of total distribution revenue decreased to 66.3% for the six months ended 30 June 2012, from 82.9% for the six months ended 30 June 2011.

General and administrative expenses

General and administrative expenses decreased by 5.1% from EUR 6.4 million for the six months ended 30 June 2011 to EUR 6.1 million during the six months ended 30 June 2012. The decrease in general and administrative expenses is partially explained by the weakness of the local currencies against the Euro compared to the same period last year mainly in Poland, Hungary and Romania. In local currency, the general and administrative expenses increased due to the increase in the Company's business activities.

DIRECTORS' REPORT

Acquisition-related and reorganisation expenses

The acquisition-related and reorganisation expenses during the first quarter of 2011 were related to the Palace Cinema acquisition in January 2011. These one-time expenses were associated primarily with legal, accounting and advisory fees to consummate the acquisition and the one-time reorganisation expenses incurred in conjunction with integrating the acquisition into the Company's existing platform.

EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation)

As a result of the factors described above, the earnings before interest, tax, depreciation and amortisation (EBITDA) excluding the acquisition-related and reorganisation expenses decreased by 1.8%, from EUR 24.7 million for the six months ended 30 June 2011 to EUR 24.2 million for the six months ended 30 June 2012. EBITDA including acquisition-related and reorganisation expenses increased by 9.7% from EUR 22.1 million to EUR 24.2 million for the six months ended 30 June 2012.

Depreciation and amortisation

Depreciation and amortisation expenses increased by 22.8% from EUR 12.2 million for the six months ended 30 June 2011 to EUR 14.9 million for the six months ended 30 June 2012. The increase is explained mainly by higher depreciation due to the newly opened theatres in the second half of 2011 primarily in Poland and Romania, new digital projectors acquired during 2011 and amortisation of new distribution rights.

Operating profit

As a result of the factors described above, excluding the acquisition-related and reorganisation expenses, the operating profit decreased by 25.9% from EUR 12.5 million during the six months ended 30 June 2011 to EUR 9.2 million during the six months ended 30 June 2012. The operating profit including acquisition-related and reorganisation expenses decreased by 6.6% from EUR 9.9 million to EUR 9.2 million for the six months ended 30 June 2012.

Financial income/expenses

The balance of financial income and expenses resulted in a net expense of EUR 1.3 million during the six months ended 30 June 2012 compared to a net expense of EUR 1.1 million during the six months ended 30 June 2011. The increase is mainly due to an increase in bank debt following the acquisition of new cinema equipment and building new cinemas.

Non-controlling interests

Non-controlling interests comprise the share of minority shareholders in losses from subsidiaries that are not 100% owned by the Company and amounted to EUR 0.3 million (negative) and EUR 0.4 million (negative) for the six months ended 30 June 2012 and for the six months ended 30 June 2011, respectively.

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 27.0% from EUR 9.9 million during the six months ended 30 June 2011 to EUR 7.2 million during the six months ended 30 June 2012. The Company's net income attributable to equity holders of the parent company, including acquisition related and reorganisation expenses, decreased by 1.2% from EUR 7.3 million to EUR 7.2 million for the six months ended 30 June 2012.

DIRECTORS' REPORT

Selected financial data

	EUR		PLN	
	(thousands, except per share data)			
	For the six months ended 30 June			
	2012	2011	2012	2011
Revenues	**121,090**	128,192	**514,027**	506,871
Operating profit excluding acquisition-related and reorganisation expenses	**9,245**	12,476	**39,245**	49,330
Operating profit including acquisition-related and reorganisation expenses	**9,245**	9,894	**39,245**	39,121
Operating income before taxation excluding acquisition-related and reorganisation expenses	**7,930**	11,308	**33,663**	44,712
Operating income before taxation including acquisition-related and reorganisation expenses	**7,930**	8,726	**33,663**	34,503
Net income attributable to equity holders of the parent company excluding acquisition-related and reorganisation expenses	**7,197**	9,863	**30,551**	38,998
Net income attributable to equity holders of the parent company including acquisition-related and reorganisation expenses	**7,197**	7,281	**30,551**	28,789
Cash flows from operating activities	**17,904**	15,042	**76,002**	59,476
Cash flows used in investment activities	**(50,548)**	(34,419)	**(214,576)**	(136,093)
Cash flows from financing activities	**30,247**	17,638	**128,399**	69,741
Decrease in cash and cash equivalents	**(2,145)**	(1,680)	**(9,106)**	(6,643)
Total assets	**377,316**	329,434	**1,607,743**	1,313,453
Provisions	**4,338**	8,102	**18,484**	32,303
Long-term liabilities (including provisions)	**83,593**	48,211	**356,190**	192,217
Current liabilities	**56,930**	57,016	**242,579**	227,323
Shareholders' equity	**236,793**	228,546	**1,008,975**	911,213
Share capital	**512**	512	**2,182**	2,041
Average number of equivalent shares	**51,200,000**	51,200,000	**51,200,000**	51,200,000
Average number of equivalent shares (diluted)	**51,223,291**	51,244,510	**51,223,291**	51,244,510
Net earnings per ordinary share (basic and diluted) excluding acquisition-related and reorganisation expenses	**0.14**	0.19	**0.59**	0.75
Net earnings per ordinary share (basic and diluted) including acquisition-related and reorganisation expenses	**0.14**	0.14	**0.59**	0.55

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**	**Period end exchange rate**
2012 (1st six months)	**4.245**	**4.113**	**4.514**	**4.261**
2011 (1st six months)	3.954	3.840	4.080	3.987

Source: National Bank of Poland ("NBP")

Outlook for the remainder of 2012*

Relatively high attendance since the beginning of July up to the date of this report, supported by the opening of the new project in Rishon LeZion, have closed part of the shortfall during H1 2012 compared to last year. The Company expects that an improvement in admission and revenue level should continue to materialise in the second half of the year when the movie pipeline will comprise many successful franchise and fresh stand-alone titles including: *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,* and many others. The list of movies for the remainder of 2012 also includes many Polish titles such as the big format: *Bitwa pod Wiedniem* and a number of mid-range films.

In July 2012, the Company opened its flagship Megaplex cinema in Rishon LeZion, Israel with 24 screens including the Company's first IMAX® screen in the country and the first 4DX screen in Europe. The new Megaplex is the biggest and the most technically advanced cinema in the Company's circuit. The Company has added already 50 new screens since the beginning of the year. In the second half of the year the Company plans to open a 12-screen cinema in Ploiesti, Romania and a 14-screen multiplex in Sofia, Bulgaria. In total, Cinema City plans to open at least 6 cinemas with almost 80 screens in 2012.

Palace Cinemas, already fully integrated with Cinema City's operations in the Czech Republic and Hungary should continue to improve in profitability especially compared to the first half of 2011, when the reorganisation process was still in full swing. Further renegotiations of selected lease agreements, together with refurbishment programmes of these premises should also bring additional financial benefits for the Group.

The Company has completed a comprehensive refurbishment of Cinema City West End in Budapest and Cinema City Novy Smichov in Prague - both prime located multiplexes with historically strong performance damaged by the lack of investments in the past years. The Company will continue carrying the full refurbishment in the selected locations with high potential for improvement in operating and financial performance.

As the Company has completed the reorganisation of Palace Cinemas, the 2012 financial results will not likely show the one-time costs related to acquisition and integration, as was reflected in the 2011 results. 2012 will be also the first full year during which the Company will start to realize benefits from the newly reorganised Polish corporate structure.

DIRECTORS' REPORT

At the end of June the Company began its "Summer Promotion" activity which the Company believes will attract more admission to come to the cinema, and to translate positively on an overall performance of the Company. In the Czech Republic the Company has implemented a country-wide loyalty program for clients to support the cinema going culture in the country and to benefit more from the larger scale of operations in the country after last year's acquisition of Palace Cinemas.

With the completion of the digitalization process in May 2012, the Company should recognize 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 organic growth plans including the long-term growth prospects in Romania and believe that Romania has the potential to become the Company's second largest country in terms of number of screens in operation, exceeded only by Poland.

The ongoing stagnation in the Romanian real estate market continues to negatively impact the Company's pipeline of openings. However, the Company has still succeeded to open new cinemas on this market every year. It should be also noted that 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. The Company takes into consideration that part of the malls, where it has binding lease agreement may be significantly delayed or even cancelled. Nonetheless, the number of signed deals as well as the fact that the Company continues to be offered new locations in which to build movie theatres, will allow the Company to continue to expand in this market.

The Company's management continues to closely monitor the ongoing debt and Euro crisis in the Eurozone, its potential implications on the Company's countries of operation, 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 half year 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 half year 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 31 August 2012 Number of shares /% of shares	**Increase/ (decrease) Number of shares**	**As of 30 June 2012 Number of shares/ % of shares**	**Increase/ (decrease) Number of shares**	**As of 31 December 2011 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%
ING Powszechne Towarzystwo Emerytalne SA	2,680,095 / 5.23%	-	2,680,095 / 5.23%	-	2,680,095 / 5.23%
BZ WBK AIB Asset Management *	2,013,832 / 3.93%	-	2,013,832 / 3.93%	- 647,217	2,661,049 / 5.20%

* Source: AFM Register Substantiële Deelnemingen (AFM Register of substantial interests)

Changes in ownership of shares and rights to shares by Management Board members in the six months ended 30 June 2012 until the date of publication of the report

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

	As of 31 August 2012 Number of shares/% of shares	**Increase/ (decrease) Number of shares**	**As of 30 June 2012 Number of shares/% of shares**	**Increase/ (decrease) Number of shares**	**As of 31 December 2011 Number of shares/% of shares**
Moshe Greidinger*	11,253,028/ 21.98%	-	11,253,028/ 21.98%	-	11,253,028/ 21.98%
Amos Weltsch	None	-	None	-	None
Israel Greidinger*	11,253,028/ 21.98%	-	11,253,028/ 21.98%	-	11,253,028/ 21.98%

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

Rights to shares

The members of the Management Board did not own or receive any rights to shares in the Company during the period 31 December 2011 until 31 August 2012 with the exception of Mr Weltsch. In April 2012, Mr Weltsch was granted as a part of his remuneration package, 650,000 share options, each entitling him to subscribe for one share in the Company at the issue price of PLN 29 per share. These options were granted subject to the approval of the shareholders of the Company, which approval was granted during the Annual General Meeting of the Company held on 21 June 2012. For further details including vesting dates and other conditions, reference is made to Note 10 on page 24 of this report.

DIRECTORS' REPORT

Additional information to the report (cont'd)

Changes in ownership of shares and rights to shares by Supervisory Board members in the six months ended 30 June 2012 until the date of publication of the report
The members of the Supervisory Board did not own any shares and/or rights to shares in the Company during the period 31 December 2011 until 31 August 2012.

Changes in the composition of the Supervisory Board and Management Board
None.

Representation concerning financial statements and Directors' report
The Management Board hereby declares that, to the best of their knowledge, the condensed consolidated interim financial statements as of 30 June 2012, which have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole, and that the Directors' report includes a fair review of the information required pursuant to section 5:25d subsections 8 and 9 of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*).

Other
As of 30 June 2012, the Group has issued guarantees for loans that in total amount to EUR 9.0 million, PLN 452.9 (EUR 106.3) million and NIS 170 (EUR 34.5) million in connection with loans provided to subsidiaries. For additional information, see Note 7 to the condensed consolidated financial statements.

As of 30 June 2012, 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 six months ended 30 June 2012:

- an increase in the provision for deferred tax liabilities of EUR 207,000 (an increase of EUR 34,000 during the 3 months ended 30 June 2012);
- a decrease in the provision for accrued employee retirement rights of EUR 109,000 (a decrease of EUR 17,000 during the 3 months ended 30 June 2012).

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, 31 August 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2012 (Unaudited)	31 December 2011 (Audited)	30 June 2011 (Unaudited)
		EUR (thousands)		
ASSETS				
NON-CURRENT ASSETS				
Intangible assets		**16,308**	13,159	10,915
Property and equipment		**299,391**	263,917	256,967
Deferred tax asset		**2,175**	2,100	3,839
Long-term receivable from related parties		**15,517**	15,142	-
Total non-current assets		**333,391**	294,318	271,721
CURRENT ASSETS				
Inventories		**6,173**	6,652	5,461
Receivables				
Trade accounts receivable		**13,299**	14,758	13,019
Receivable from related parties		**3,067**	1,040	15,749
Income taxes receivable		**606**	604	378
Other accounts receivable and prepaid expenses		**13,418**	12,585	13,833
Total receivables		**30,390**	28,987	42,979
Financial assets				
Foreign currency exchange contracts		**-**	644	45
Marketable securities		**8**	24	46
Total financial assets		**8**	668	91
Cash and short-term deposits				
Cash and cash equivalents		**7,132**	9,277	8,847
Short-term bank deposits - collateralised		**222**	340	335
Total cash and short-term deposits		**7,354**	9,617	9,182
Total current assets		**43,925**	45,924	57,713
TOTAL ASSETS		**377,316**	340,242	329,434

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2012 (Unaudited)	31 December 2011 (Audited)	30 June 2011 (Unaudited)
			EUR (thousands)	
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital	**9**	**512**	512	512
Share premium reserve		**92,144**	92,144	92,144
Accumulated currency translation adjustment		**(6,929)**	(11,272)	2,117
Hedge reserve		**-**	451	(43)
Retained earnings		**151,066**	147,468	133,816
Total equity attributable to equity holders of the Company		**236,793**	229,303	228,546
Non-controlling interests	**10**	**-**	(2,071)	(4,339)
Total equity		**236,793**	227,232	224,207
LONG-TERM LIABILITIES				
Long-term loans, net of current portion	**13**	**78,037**	36,494	35,642
Accrued employee retirement rights, net		**740**	849	606
Deferred tax liabilities		**3,598**	3,391	7,496
Financial lease		**1,068**	1,080	1,070
Other long-term liabilities		**150**	179	3,397
Total long-term liabilities		**83,593**	41,993	48,211
CURRENT LIABILITIES				
Short-term borrowings	**13**	**22,550**	30,331	20,031
Trade accounts payable		**15,375**	17,414	13,809
Payable to related parties		**205**	210	176
Employee and payroll accruals		**2,458**	2,401	2,715
Foreign currency exchange contracts	**8**	**-**	-	102
Other accounts payable		**16,342**	20,661	20,183
Total current liabilities		**56,930**	71,017	57,016
Total liabilities		**140,523**	113,010	105,227
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**377,316**	340,242	329,434

CONSOLIDATED INCOME STATEMENT

	For the 6 months ended 30 June 2012 (Unaudited)	For the 3 months ended 30 June 2012 (Unaudited)	For the 6 months ended 30 June 2011 (Unaudited)	For the 3 months ended 30 June 2011 (Unaudited)
	EUR (thousands)			
Total revenues	**121,090**	**58,605**	128,192	62,404
Total operating costs	**105,748**	**53,284**	109,290	54,377
Total gross margin	**15,342**	**5,321**	18,902	8,027
General and administrative expenses	**6,097**	**2,346**	6,426	2,837
Acquisition-related and reorganisation expenses	**-**	**-**	2,582	217
Operating profit	**9,245**	**2,975**	9,894	4,973
Financial income	**915**	**286**	631	261
Financial expenses	**(2,222)**	**(866)**	(1,751)	(865)
Loss on disposals & write-off of other investments	**(8)**	**8**	(48)	(42)
Operating income before taxation	**7,930**	**2,403**	8,726	4,327
Income tax expense	**(482)**	**(162)**	(1,034)	(369)
Net income for the period	**7,448**	**2,241**	7,692	3,958
Attributable to:				
Equity holders of the Company	**7,197**	**2,058**	7,281	3,647
Non-controlling interest	**251**	**183**	411	311
Net income for the period	**7,448**	**2,241**	7,692	3,958
Earnings per share				
Weighted average number of equivalent shares (basic)	***51,200,000***	***51,200,000***	*51,200,000*	*51,200,000*
Weighted average number of equivalent shares (diluted)	***51,223,291***	***51,218,376***	*51,244,510*	*51,240,837*
Net earnings per share for profit attributable to the owners of the Company (basic and diluted)	**0.14**	**0.04**	0.14	0.07

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the 6 months ended 30 June 2012 (Unaudited)	For the 3 months ended 30 June 2012 (Unaudited)	For the 6 months ended 30 June 2011 (Unaudited)	For the 3 months ended 30 June 2011 (Unaudited)
	EUR (thousands)			
Net income for the period	**7,448**	**2,241**	7,692	3,958
Other comprehensive income				
Foreign exchange translation differences	**4,244**	**(2,713)**	(150)	24
Effective portion in fair value of cash flow hedges, net of tax [1]	**(451)**	**(100)**	(116)	(68)
Other comprehensive income, net of tax	**3,793**	**(2,813)**	(266)	(44)
Total comprehensive income/ (loss) for the period	**11,241**	**(572)**	7,426	3,914
Attributable to:				
Equity holders of the Company	**11,089**	**(651)**	6,808	3,608
Non-controlling interests	**152**	**79**	618	306
Total comprehensive income/ (loss) for the period	**11,241**	**(572)**	7,426	3,914

[1] 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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Accumulated currency translation adjustment	Hedge reserve	Retained earnings	Total	Non-controlling interests	Total equity
	EUR (thousands) - Unaudited							
Balance as of 1 January 2012	**512**	**92,144**	**(11,272)**	**451**	**147,468**	**229,303**	**(2,071)**	**227,232**
Share based payments under the stock option plan	**-**	**-**	**-**	**-**	**125**	**125**	**-**	**125**
Net income for the period	**-**	**-**	**-**	**-**	**7,197**	**7,197**	**251**	**7,448**
Foreign currency translation adjustment			**4,343**	**-**	**-**	**4,343**	**(99)**	**4,244**
Effective portion in fair value of cash flow hedges	**-**	**-**	**-**	**(451)**	**-**	**(451)**	**-**	**(451)**
Acquisition of non-controlling interests*	**-**	**-**	**-**	**-**	**(3,724)**	**(3,724)**	**1,919**	**(1,805)**
Balance as of 30 June 2012	**512**	**92,144**	**(6,929)**	**-**	**151,066**	**236,793**	**-**	**236,793**

	Share capital	Share premium	Accumulated currency translation adjustment	Hedge reserve	Retained earnings	Total	Non-controlling interests	Total equity
	EUR (thousands) - Unaudited							
Balance as of 1 January 2011	512	92,144	2,474	73	126,527	221,730	(4,957)	216,773
Share based payments under the stock option plan	-	-	-	-	8	8	-	8
Net income for the period	-	-	-	-	7,281	7,281	411	7,692
Foreign currency translation adjustment	-	-	(357)	-	-	(357)	207	(150)
Effective portion in fair value of cash flow hedges	-	-	-	(116)	-	(116)	-	(116)
Balance as of 30 June 2011	512	92,144	2,117	(43)	133,816	228,546	(4,339)	224,207

* See Note 10

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2012	**2011**
	(Unaudited)	**(Unaudited)**
	EUR (thousands)	
Cash flows from operating activities		
Operating profit	**9,245**	9,894
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortisation	**14,970**	12,189
Decrease in accrued employee rights upon retirement, net	**(111)**	(95)
Interest received	**915**	631
Interest paid	**(2,222)**	(1,751)
Income taxes paid	**(1,344)**	(5)
Operating income before working capital	**21,453**	20,863
Decrease/(Increase) in inventories	**632**	(532)
Decrease in trade accounts receivable	**1,763**	1,550
Decrease/(Increase) in prepaid expenses and other receivables	**86**	(83)
Decrease/(Increase) in governmental institutions	**726**	(597)
Decrease in long-term film distribution costs and deferred expenses	**187**	516
Decrease in accounts payable	**(5,926)**	(6,484)
Increase in employee and payroll accruals	**21**	300
Net changes in related parties	**(1,163)**	(499)
Equity share-based payments	**125**	8
Net cash from operating activities	**17,904**	15,042
Cash flows from investing activities		
Purchase of property and equipment and other assets*	**(44,547)**	(15,894)
Investments in intangible fixed assets**	**(5,021)**	(459)
Change in receivables from related parties, net increase	**(1,245)**	-
Proceeds from disposition of property and equipment and intangible assets	**129**	226
Short-term bank deposits released/ (collateralised)	**120**	(7)
Changes in marketable securities	**16**	141
Acquisition of subsidiaries, net of cash acquired	**-**	(18,426)
Net cash used in investing activities	**(50,548)**	(34,419)

* Taking into account movements in Investment creditors.
** Taking into account movements in other non-cash activities.

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2012	**2011**
	(Unaudited)	**(Unaudited)**
	EUR (thousands)	
Cash flows from financing activities		
Proceeds from long-term loans	**47,517**	35,395
Repayment of long-term loans	**(7,084)**	(20,087)
Decrease in long-term payables	**(87)**	(560)
Short-term bank credit, net (decrease)/increase	**(8,294)**	2,890
Acquisition of non-controlling interests	**(1,805)**	-
Net cash from/(used in) financing activities	**30,247**	17,638
Foreign currency exchange differences on cash and cash equivalents	**252**	59
Decrease in cash and cash equivalents	**(2,145)**	(1,680)
Cash and cash equivalents at beginning of year	**9,277**	10,527
Cash and cash equivalents at end of period	**7,132**	8,847

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 June 2012, 53.89% of the outstanding shares in the Company are held by I.T. International Theatres Ltd. ("ITIT"), incorporated in Israel. The Company, 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. 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.

The Condensed Consolidated Interim Financial Statements of the Company for the six months ended 30 June 2012 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 Interim Condensed Consolidated Financial Statements and the extent of ownership and control are presented in the Company's Consolidated Financial Statements for the year ended 31 December 2011. Entities newly included in consolidation during the six months ended 30 June 2012 are disclosed in Note 5.

The consolidated financial statements of the Group for the year ended 31 December 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.

Note 2 – Statement of compliance

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited 2011 Annual Accounts which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The 30 June 2012 Condensed Consolidated Interim Financial Statements were authorised for issue by the Management Board on 31 August 2012.

Note 3 – Accounting policies

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 2011, except for the adoption of the following new or amended Standards and Interpretations applicable to annual reporting periods beginning on or after 1 January 2012 as noted below:

- Amendment to IAS 12 *Income Taxes – Recovery of Underlying Assets*. The amendment clarifies the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale.
- Amendment to IFRS 7 *Financial Instruments – Disclosures: Transfer of Financial Assets* – effective for financial years beginning on or after 1 July 2011.
- Amendments to IFRS 1 *First–time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First–time Adopters* – effective for financial years beginning on or after 1 July 2011.

Adoption of the above new amendments did not have impact on the financial position or performance of the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Note 4 – 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 2011.

Note 5 – Changes in Consolidated Entities

Changes in consolidated and associated entities during the first six months of 2012:

During the first six months of 2012, there were no changes in the consolidated and associated entities, other than:

- the acquisition of the non-controlling interests in Norma Film Ltd (see Note 10), and
- the acquisition of the non-controlling interests in Ya'af - Giant Video Library Network Ltd., a subsidiary of Norma Film Ltd. - currently dormant - in which Norma Film Ltd. previously held a 60% interest.

Following these transactions, Norma Film Ltd. and its subsidiaries, Forum Film Ltd., Ya'af - Automatic Video Machines Ltd. and Ya'af - Giant Video Library Network Ltd, are fully owned by the Company, and a non-controlling interests ceased to exist.

Note 6 – Functional and reporting currency and exchange rates

A. 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 operation in Israel is the New Israeli shekel (NIS). The financial statements of the above mentioned foreign operations are translated from the respective functional currency into euro (presentation currency of the Company) for both 2011 and 2012 as follows:

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

B. Exchange rates

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

Exchange rate of euro

	Czech crown (CZK)	Hungarian forint (HUF)	Polish zloty (PLN)	US dollar (USD)	Israeli shekel (NIS)	Romania new lei (RON)
As of						
30 June 2012	**25.64**	**288.04**	**4.26**	**1.26**	**4.93**	**4.50**
31 December 2011	25.70	312.03	4.43	1.29	4.94	4.32
30 June 2011	24.37	267.38	4.00	1.44	4.94	4.20
Change during the period						
2012 (6 months)	**(0.23)**	**(7.69)**	**(3.84)**	**(2.33)**	**(0.20)**	**4.17**
2011 (12 months)	1.62	11.43	11.59	(3.01)	4.22	0.47
2011 (6 months)	(3.64)	(4.52)	0.76	8.27	4.22	(2.33)

	Czech crown (CZK)	Hungarian forint (HUF)	Polish zloty (PLN)	US dollar (USD)	Israeli shekel (NIS)	Romania new lei (RON)
Average for the period						
2012 (6 months)	**25.16**	**295.55**	**4.24**	**1.30**	**4.92**	**4.39**
2011 (12 months)	24.58	279.22	4.12	1.39	4.98	4.24
2011 (6 months)	24.35	269.51	3.95	1.40	4.94	4.18
Change during the period						
2012 (6 months)	**2.36**	**5.85**	**2.91**	**(6.47)**	**(1.20)**	**3.54**
2011 (12 months)	(2.92)	1.19	3.00	4.51	0.61	0.47
2011 (6 months)	(3.83)	(2.33)	(1.25)	5.26	(0.20)	(0.95)

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.

Note 6 – Functional and reporting currency and exchange rates (cont'd)

	Exchange rate of euro					
	Czech crown (CZK)	**Hungarian forint (HUF)**	**Polish zloty (PLN)**	**US dollar (USD)**	**Israeli shekel (NIS)**	**Romania new lei (RON)**
Average for the quarter ended 30 June						
2012	**25.23**	**294.08**	**4.25**	**1.28**	**4.90**	**4.43**
2011	24.32	266.36	3.96	1.44	4.95	4.13
Change quarter over quarter						
2012	**3.74**	**10.41**	**7.32**	**(11.11)**	**(1.01)**	**7.26**
2011	(5.00)	(3.09)	(1.49)	12.50	2.91	(1.43)

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.

Note 7 – 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 2011. The commitments, contingent liabilities and liens as disclosed in the Company's 2011 Annual Accounts for the year ended 31 December 2011 have not materially changed as at 30 June 2012, except for further commitments to open new cinemas as part of the Company's expansion plans and except for securities as disclosed below.

As of 30 June 2012, the Group has given guarantees amounting to EUR 9.0 million and PLN 452.9 million (EUR 106.3 million) in connection with loans provided to the Polish subsidiary. As of 30 June 2012, the Polish subsidiary bank debt is PLN 218.7 million (EUR 51.3 million).
During the six months ended 30 June 2012, an Israeli subsidiary signed an agreement with an Israeli bank for a new funding facility for a total amount of NIS 170 million (EUR 34.5 million). According to the facility agreement, the Company has provided a guarantee while the Israeli subsidiary is subject to certain covenants which the company meets as of the balance sheet date. As of 30 June 2012, the Israeli subsidiary bank debt amounted to NIS 155.5 million (EUR 31.5 million).

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 full detail in the 2011 Annual Accounts. During the six months ended June 2012, the Company hedged some of its USD expenses through June 2012 in respect of its Polish, Hungarian and Czech theatre operations, against the Polish zloty, the Hungarian forint and Czech crown, respectively. As at 30 June 2012, the Company had not entered into any forward foreign exchange contract.

Note 9 – 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 2012 was 51,200,000 and remained unchanged during the first half of the financial year 2012.
All shares issued and outstanding at 30 June 2012 have been fully paid.

Note 10 – Related-party transactions

Share options granted to a member the Management Board

In April 2012, Mr Amos Weltsch, member of the Management Board of the Company, was granted 650,000 options as a part of his remuneration package, each entitling him to subscribe for one share in the Company at the issue price of PLN 29 per share. The issue price is based on the six-month average share price of the shares on the Company on the Warsaw Stock Exchange in the period between 31 August 2011 and 29 February 2012.

The options granted to Mr Weltsch will vest in 47 equal monthly tranches of 13,542 options, each on the last day of each month in the period from 30 April 2012 to 29 February 2016, with an additional tranche of 13,526 options vesting on 31 March 2016. Mr Weltsch may exercise the options vested to him in each of the tranches on multiple occasions within two years from the date the given tranche of share options was vested.

The granting of the options was approved by the shareholders of the Company during the Annual General Meeting of the Company held on 21 June 2012.

Note 10 – Related-party transactions (cont’d)

Acquisition of non-controlling interests

During the second quarter of 2012, the Company completed the acquisition of the non-controlling interests in Norma Film Ltd. The 50% interest in Norma Film Ltd (Forum Film Israel), was acquired for an amount of EUR 1,755,000 in cash from I.M. Greidinger Ltd. (‘IMG’), an Israeli company owned by Messrs Moshe Greidinger and Israel Greidinger, both Managing Directors and (indirectly) shareholders of the Company. As of closing, Norma Film Ltd. (Forum Film Israel) is fully owned by the Company and its financial results will be fully integrated into the Company’s financial results. As film distribution becomes a more important segment of the Company’s business, there was no business rationale for the Company not to own 100% of all of its film distribution subsidiaries. Moreover, the acquisition of the remaining interest in Norma Film Ltd. will reduce the complicated manner of financial accounting associated with non-controlling interests.

In accordance with IFRS, the Company has recognised directly in equity the difference between the purchase price of the non-controlling interests and the adjustments to the carrying amounts of Norma Film Ltd following the acquisition of the non-controlling interests. As a result, an amount of EUR 3,724,000 has been charged to equity (under Retained earnings).

Norma Film Ltd. holds 100% of the equity share in Forum Film Ltd., a major film distributor in Israel, with distribution exclusivity in Israel for film produced by Disney, MGM and several other independent studios. In addition, Forum Film Ltd. acts as a sub-distributor for Sony and Fox movies in Israel.

Norma Film Ltd. also holds 100% of the equity share in Ya'af - Automatic Video Machines Ltd. and 100% of the equity share in Ya’af - Giant Video Library Network Ltd. However, these two subsidiaries are currently not active. Previously, Norma Film Ltd. held 60% of Ya’af - Giant Video Library Network Ltd. In June 2012, Norma Film Ltd acquired the remaining 40% of this subsidiary for an amount of NIS 6 thousand.

As the acquisition of the non-controlling interests qualifies as a transaction with a related party – IMG being controlled by major (indirect) shareholders and Managing Directors of the Company – and also qualifies as a transaction constituting a conflict of interest with the Management Board as described under Principle II.3 of the Dutch Corporate Governance Code, the Supervisory Board had formed a special committee of independent Supervisory Directors of the Company to review the proposed terms of the transaction. In order to ensure that the transaction is at arm’s length and to ensure compliance with best practice provisions of the Dutch Governance Code in respect of conflicts of interest, this committee has reviewed and approved the transaction and where necessary represented the Company in the transaction.

In contemplation of the closing, the Company advanced EUR 3,000,000 to Messer's Moshe and Israel Greidinger in April 2012, from which the purchase price of Norma Film was deducted. Messer's Moshe and Israel Greidinger agreed to repay the remainder of EUR 1,245,000 no later than March 31 2013.

There were no material transactions and balances with related parties during the first six month of 2012 other than were already disclosed above and in the 2011 Consolidated Financial Statements.

Note 11 - 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.
- Other – this includes the Company's cinema-related real estate activities and the sale of real estate.

	For the six months ended 30 June 2012				
	EUR (thousands) – (Unaudited)				
	Theatre operations	**Distribution**	**Other**	**Eliminations**	**Consolidated**
Revenues					
External sales	110,239	9,929	922	-	121,090
Inter-segment sales	617	7,006	-	(7,623)	-
Total revenues	110,856	16,935	922	(7,623)	121,090
Segment results	8,029	748	468	-	9,245
Net financial expense					(1,307)
Net loss on disposals					(8)
Income taxes					(482)
Non-controlling interests					(251)
Net income					7,197

	30 June 2012				
	EUR (thousands) – (Unaudited)				
	Theatre operations	**Distribution**	**Other**	**Unallocated**	**Consolidated**
Segment assets	341,552	13,526	20,063	2,175	377,316
Segment liabilities	30,885	5,271	182	104,185	140,523
Capital expenditure	43,310	4,718	-	-	48,028

Note 11 - Segment Reporting (cont'd)

	For the six months ended 30 June 2011				
	EUR (thousands) – (Unaudited)				
	Theatre operations	**Distribution**	**Other**	**Eliminations**	**Consolidated**
Revenues					
External sales	116,883	10,305	1,004	-	128,192
Inter-segment sales	9	6,555	-	(6,564)	-
Total revenues	116,892	16,860	1,004	(6,564)	128,192
Segment results	8,617	870	407	-	9,894
Net financial expense					(1,120)
Net loss on disposals					(48)
Income taxes					(1,034)
Non-controlling interests					(411)
Net income					7,281

	30 June 2011				
	EUR (thousands) – (Unaudited)				
	Theatre operations	**Distribution**	**Other**	**Unallocated**	**Consolidated**
Segment assets	299,403	10,183	16,009	3,839	329,434
Segment liabilities	33,136	6,101	2,821	63,169	105,227
Capital expenditure	17,783	468	-	-	18,251

Note 12 – Property and equipment

During the six months ended 30 June 2012, the Company acquired assets with a cost of EUR 42,873 thousand (six months ended 30 June 2011: EUR 17,792 thousand). Such acquisition comprised mainly land and buildings and cinema equipment. Assets with a carrying amount of EUR 137 thousand were disposed of during the six months ended 30 June 2012 (six months ended 30 June 2011: EUR 244 thousand), resulting in a loss on disposal of EUR 8 thousand (six months ended 30 June 2011: a loss of EUR 18 thousand).

Note 13 – Loans and borrowings

The following loans and borrowings (non-current and current) were issued and repaid during the six months ended 30 June 2012:

	Currency	Interest rate	EUR (thousands) – (Unaudited) Carrying amount
Balance as at 1 January 2012			66,825
New issues:			
Short-term bank credit	PLN	Wibor (1 month) +1.3%	1,923
Secured bank loan	PLN	Wibor (1 month) +2%	14,094
Secured bank loan	EUR	Libor (1 week)+2.05%	1,791
Secured bank loan	NIS	Prime + 0.85%	31,632
Repayments:			
Secured bank loan	EUR		(2,368)
Secured bank loan	HUF		(108)
Secured bank loan	PLN		(4,298)
Secured bank loan	CZK		(310)
Short-term bank credit	NIS		(10,217)
Translation and currency differences			1,623
Balance as at 30 June 2012			**100,587**
Split as follows:			
Long-term loans			
Short-term borrowings			78,037
			22,550
Balance as at 30 June 2012			**100,587**

Note 14 – Income tax expense

Income tax expense is recognised based on Management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2012 is 6.1% (the estimated tax rate for the six months ended 30 June 2011 was 11.8%).

Note 15 – Impairment losses and provisions

During the six months ended 30 June 2012, no impairment losses were charged.

Note 16 – Seasonality

The Group's activities are not of a material seasonal nature. Therefore, the results presented by the Group do not fluctuate significantly during the year due to the seasonality.

Historically, the Company's revenues have tended to have a relatively small "seasonality" impact driven in large part by the way major film distributors release movies. In the past, the film studios released the most marketable movies during the summer months and the late-November through December holiday season, corresponding with what the studios believed to be the periods of highest customer interest. In recent years, however, this seasonality impact has become less pronounced as films are now more evenly distributed during the year. In addition, attendance may be temporarily impacted by the weather, whereby cinema attendance tends to increase during those periods when the weather is less conducive to outside activities, though such impact is typically relatively short-lived and cannot be predicted.

Note 17 – 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 2011. No new options were granted to employees during for the six months ended 30 June 2012, except for the 650,000 share options granted to a member of the Management Board (see Note 10).
The weighted average exercise price of options outstanding (vested but not yet exercised) is approximately EUR 6.10. The number of exercisable options at 30 June 2012 is 165,626.
The impact of the share-based payments on the financial statements of the Company for the six months ended 30 June 2012 was an expense of EUR 125,000 (six months ended 30 June 2011: EUR 8,000) recognised in the income statement with a corresponding increase in equity. During the six months ended 30 June 2012 and during the year 2011 no options were forfeited.

Note 18 – Subsequent events

None

Review report

To: the Management Board of Cinema City International N.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Cinema City International N.V., Rotterdam, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows for the period of six months ended 30 June 2012, and the notes. Management of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2012 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, 31 August 2012

KPMG Accountants N.V.

P. Mizrachy RA