Cinema City International N.V.

INTERIM MANAGEMENT STATEMENT

for the nine months ended

30 September 2012

CONTENTS

DIRECTORS' REPORT

General

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 fourth largest cinema operator in all of Europe. **As at 14 November 2012, the Company operates 97 multiplexes with a total of 940 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 31 new multiplexes (approximately 330 screens).** The Company is also active in businesses relating to movie exhibition including engaging in film distribution through its local Forum Film subsidiaries in each of its 7 countries of operations and in cinema-related real estate activities in a number of its territories.

The Company's shares are traded on the Warsaw Stock Exchange. As of 14 November 2012, the market share price was PLN 30.6 (EUR 7.33), giving the Company a market capitalisation of EUR 375.2 million. The Company's office is located in Rotterdam, the Netherlands.

Highlights during the nine months ended 30 September 2012

- **In the first nine months of 2012, Cinema City generated revenue of EUR 196.0 million (-0.8% compared to the first nine months of 2011). Consolidated EBITDA was EUR 41.8 million (+9.1% compared to the first nine months of 2011) and net income was EUR 15.4 million (-13.2% compared to the first nine months of 2011) both excluding acquisition-related and reorganisation expenses incurred in the first 9 months of 2011. Including acquisition-related and reorganisation expenses incurred in the first 9 months of 2011, EBITDA increased by 18.4% and net income increased by 4.5% compared to the first nine months of 2011.**

- **In the quarter ended 30 September 2012, Cinema City generated EUR 74.9 million (+8.0% compared to the quarter ended 30 September 2011) revenues. Excluding acquisition-related and reorganisation expenses incurred in the quarter ended 30 September 2011 consolidated EBITDA was EUR 17.6 million (+28.7% compared to the quarter ended 30 September 2011 2011) and net income totalled EUR 8.2 million (+3.9% compared to the quarter ended 30 September 2011). Including acquisition-related and reorganisation expenses incurred in the quarter ended 30 September 2011, EBITDA and net income increased by 33.0% and 10.0%, respectively, over last year's third quarter.**

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- **The Number of tickets sold in the nine months ended 30 September 2012 decreased to 25.9 million (-0.6% compared to the first nine months of 2011) compare to 26.0 million in the same period last year. The number of admissions on a same theatre basis compared to the first nine months of 2011decreased by 5.5% to 24.6 million.**

- **The number of tickets sold in the quarter ended 30 September 2012 increased to 9.7 million (+7.7% compared to the quarter ended 30 September 2011) while, the number of admissions on a same theatre basis remained at a similar level of 9 million compared to last year's third quarter.**

- **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 an 8-screen multiplex in Constanta, Romania and a 10-screen multiplex in Burgas, Bulgaria. In July 2012 the Company opened its 24-screen megaplex flagship project, Yes Planet, in Rishon LeZion, Israel. In September, the Company closed a 3-screen cinema in Bat Yam, Israel.**

- **Cinema City is now 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.**

- **The Company's Film distribution business continued to grow with higher EBITDA. In March 2012, the Company launched Forum Film Czech and now acts as a film distributor in every country in which it operates.**

Theatre operations

The Company's theatre operations in the first nine months of 2012 generated revenue of EUR 179.5 million, 0.8% less compared to the first nine months of 2011. This decrease in the nine months was mainly due to weaker admissions in Poland in the first six months of the year as well as due to the weakness of the Polish zloty, Hungarian forint and Romanian lei 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 and the increase in admission numbers in other parts of the territories. During the period, the Company sold 25.9 million tickets, which was essentially the same number compared to the same 9-month period last year and varied by territory from positive volumes in Romania, Israel, and Bulgaria, through stable attendance in Czech Republic, Slovakia and Hungary and lower admissions in Poland. In the first 9 months of 2012, the Company's Polish operations were negatively impacted by more modest Polish domestic movie production compared to a very good 2011 together with the effect of the EURO football championship, which was held in Poland during June, which led to lower volumes of admission in Poland. On a same theatre basis, the Company sold 24.6 million tickets in total in the first nine months of 2012, 5.5% less than during the first nine months of 2011. The average ticket price was EUR 4.58, a decrease of 0.9% over the same period last year, while in local currencies the average ticket prices were higher in almost all countries of operation.

The most notable international titles of the third quarter of 2012 were *Ice Age: Continental Drift 3D, The Amazing Spider-Man 3D and The Dark Knight Rises*, followed by a number of mid-range international titles. As predicted, a good movie line-up materialized during the 3rd quarter as the film studios sought to avoid conflicting with the Euro football championships and the summer Olympics Games. The Company's newly opened megaplex in Israel, in Rishon Lezion, which commenced operations in July has performed very well

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since its opening and continues delivering high admissions volumes, including for its price premium shows in its IMAX® and 4DX theatres. 4DX is the latest cutting edge movie viewing experience. Each theatre is carefully retrofitted in order to add very realistic "physical effects" to a 3D movie experience.

In the first nine months of 2012 the Company sold almost 9.7 million tickets (+7.7 compared to the first nine months of 2011), with flat admissions on the same theatre basis. Revenue from theatre operations went up by 8.1% compared to the first nine months of 2011 to EUR 69.3 million. Average ticket prices in the 3rd quarter alone expressed in local currencies went up in all countries of operations, with the consolidated average ticket price remained flat at EUR 4.74.

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 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 those cities.

In July 2012 the Company opened its new flagship 24-screen megaplex, Yes Planet, in Rishon LeZion, Israel. The new megaplex is the largest and the most technologically advanced cinema in the Company's operations. The cinema, with 100% digital projection, has 3,632 seats and includes the Company's first digital IMAX® theatre in the country. The cinema also offers the first 4DX cinema projection in its circuit, which apparently is the first 4DX theatre in Europe/Middle East.

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. In addition, at the beginning of September, the Company closed a 3-screen cinema in Bat-Yam, Israel, as scheduled. This multiplex was located close to the Company's new complex in Rishon LeZion.

During the first nine months of 2012 the acquired multiplexes of Palace Cinemas, which had already been fully integrated into Cinema City's organisation in 2011, continued to deliver positive results from the integration. During the period the Company did not incur any one-time reorganisation costs, which in the first nine months of 2011 amounted to over EUR 3.0 million. During the first nine months of 2012, the Company was still re-negotiating several Palace lease agreements, which if successfully completed should bring additional costs savings in 2012 and into 2013.

Digital Projection

During the first nine months of 2012, the Company completed converting all of its auditoriums into digital format. The Company is realizing 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 can now capture 3D ticket price premium on all its screens, which continues to support revenues and EBITDA. Digitalization enables the Company to more efficiently implement movie and other programming in all its auditoriums, thereby optimising its movie exhibition results. Moreover, having expended the capital to convert all of its screens to the digital format, the Company is now realizing a reduction of operating costs, which includes contributions from the film studios based on a "Virtual Print Fee" (VPF) formula, a reduction of payroll in projection rooms and savings in cinema advertising costs.

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Film distribution activities

Revenues generated by the Company's distribution division decreased by 1.7% from EUR 15.1 million to EUR 14.9 million during the first nine months of 2012 compared to the same period in 2011, while EBITDA from this segment went up from EUR 1.4 million to EUR 3.7 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 recognised as intangible assets and subsequently amortised in accordance with IAS 38. Net performance of film distribution improved in most of the Company's territories during the first nine 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., 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.

During the third quarter of 2012, The Walt Disney Company and the Company announced that as of October 1, 2012, Disney's Polish subsidiary, Disney Channels (Benelux) BV, will become the exclusive distributor of Disney films in Poland. The Company's subsidiary, Forum Film Poland, previously served in this role over the last 10 years. This agreement will not affect the other 4 territories in which the Company continues to serve as Disney's exclusive distributor. Given that Poland has rapidly grown into a major movie exhibition territory, this arrangement is consistent with Disney's strategy of maintaining its own distribution channels in its largest countries of operations. The new arrangement is not expected to have a material impact on the Company's results of operations or prospects.

Other activities including real estate operations

Other activities, including real estate operations, did not materially contribute to the Company's results for the first nine months of 2012. With the opening of its third megaplex Yes Planet in Rishon Letzion 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.

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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 2012 was EUR 15,439,000 and can be summarised as shown below. In connection with the Palace Cinemas 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 nine months ended 30 September 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 nine 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 9 months ended 30 September		
	2012	2011 (excluding acquisition & reorganisation expenses)	2011
		EUR (thousands, except per share data)	
Continuing operations			
Revenues	**196,007**	197,578	197,578
Operating costs, excluding depreciation and amortisation	**143,762**	149,494	149,494
Gross result	**52,245**	48,084	48,084
General and administrative expenses	**10,401**	9,727	9,727
Acquisition related and reorganisation expenses	**-**	-	3,021
EBITDA [1]	**41,844**	38,357	35,336
Depreciation and amortisation	**22,461**	18,252	18,252
Operating profit	**19,383**	20,105	17,084
Financial income	**1,352**	856	856
Financial expenses	**(3,721)**	(3,230)	(3,230)
Gain and loss on disposals and write-off of other investments	**45**	(156)	(156)
Operating income before taxation	**17,059**	17,575	14,554
Income taxes	**(1,369)**	811	811
Net income for the period	**15,690**	18,386	15,365
Non Controlling Interests	**(251)**	(590)	(590)
Net income attributable to equity holders of the parent company	**15,439**	17,796	14,775
Weighted average number of equivalent shares (basic)	**51,200,000**	51,200,000	51,200,000
Weighted average number of equivalent shares (diluted)	**51,220,617**	51,237,587	51,237,587
Net earnings per ordinary share (basic and diluted of EUR 0.01 each)	**0.30**	0.35	0.29

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

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Revenues

Total revenues decreased by 0.8% from EUR 197.6 million during the nine months ended 30 September 2011 to EUR 196.0 million during the nine months ended 30 September 2012.

Theatre operating revenues decreased by 0.8% from EUR 181.0 million during the nine months ended 30 September 2011 to EUR 179.5 million during the nine months ended 30 September 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 increase of the Euro of 5.0% compared to the Polish zloty,5.2% compared to the Romanian new lei and 7.4% compared to the Hungarian forint.

Distribution operating revenues decreased by 1.7% from EUR 15.1 million during the nine months ended 30 September 2011 to EUR 14.9 million during the nine months ended 30 September 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 increased by 11.4% from EUR 1.4 million during the nine months ended 30 September 2011 to EUR 1.6 million during the nine months ended 30 September 2012.

Operating costs

Operating costs, excluding depreciation and amortisation, decreased by 3.8% from EUR 149.5 million during the nine months ended 30 September 2011 to EUR 143.8 million during the nine months ended 30 September 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 that the Company completed during the first half of 2012 contributed to the decrease in operating costs. The theatre operating expenses, excluding depreciation and amortisation, as a percentage of total theatre revenues decreased to 74.3% for the nine months ended 30 September 2012, from 75.4% for the nine months ended 30 September 2011.
- Theatre operating expenses were also decreased by an insurance reimbursement in the amount of EUR 1.2 million that the Company received under an insurance policy it secured in connection with the acquisition of Palace cinemas last year, which was reimbursement of certain expenses paid by the Company in excess of amounts that were agreed upon in the acquisition agreement.
- 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 65.6% for the nine months ended 30 September 2012, from 82.7% for the nine months ended 30 September 2011.

General and administrative expenses

General and administrative expenses increased by 6.9% from EUR 9.7 million for the nine months ended 30 September 2011 to EUR 10.4 million during the nine months ended 30 September 2012. The increase in general and administrative expenses is due to the increase in the Company's business activities.

Acquisition related and reorganisation expenses

The acquisition-related and reorganisation expenses during the first nine months 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 acquisition-related and reorganisation expenses incurred in the first nine months of 2011, increased by 9.1%, from EUR 38.4 million for the nine months ended 30 September 2011 to EUR 41.8 million for the nine months ended 30 September 2012. EBITDA. Including acquisition-related and reorganisation expenses incurred in the first nine months of 2011, EBITDA increased by 18.4% from EUR 35.3 million to EUR 41.8 million for the nine months ended 30 September 2012.

Depreciation and amortisation

Depreciation and amortisation expenses increased by 23.1% from EUR 18.3 million for the nine months ended 30 September 2011 to EUR 22.5 million for the nine months ended 30 September 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 the last twelve months and amortisation of new distribution rights.

Operating profit

As a result of the factors described above, excluding the acquisition-related and reorganisation expenses incurred in the first nine months of 2011, operating profit decreased by 3.6% from EUR 20.1 million during the nine months ended 30 September 2011 to EUR 19.4 million during the nine months ended 30 September 2012. Operating profit including acquisition-related and reorganisation expenses incurred in the first nine months of 2011, increased by 13.5% from EUR 17.1 million to EUR 19.4 million for the nine months ended 30 September 2012.

Financial income/expenses

The balance of financial income and expenses resulted in a net expense of EUR 2.4 million during the nine months ended 30 September 2012, which is on the same level as for comparative period in 2011.

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 0.6 million (negative) for the nine months ended 30 September 2012 and for the nine months ended 30 September 2011, respectively.

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Net income

As a result of the factors described above, excluding the acquisition-related and reorganisation expenses incurred in the first nine months of 2011, the Company's net income attributable to equity holders of the parent company decreased by 13.2% from EUR 17.8 million during the nine months ended 30 September 2011 to EUR 15.4 million during the nine months ended 30 September 2012. The Company's net income attributable to equity holders of the parent company, including acquisition related and reorganisation expenses incurred in the first nine months of 2011, increased by 4.5% from EUR 14.8 million to EUR 15.4 million for the nine months ended 30 September 2012.

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Selected financial data

	EUR		PLN	
	(thousands, except per share data)			
	For the nine months ended 30 September			
	2012	**2011**	**2012**	**2011**
Revenues	**196,007**	197,578	**824,993**	794,461
Operating profit excluding acquisition-related and reorganisation expenses	**19,383**	20,105	**81,583**	80,842
Operating profit including acquisition-related and reorganisation expenses	**19,383**	17,084	**81,583**	68,695
Operating income before taxation excluding acquisition-related and reorganisation expenses	**17,059**	17,575	**71,801**	70,669
Operating income before taxation including acquisition-related and reorganisation expenses	**17,059**	14,554	**71,801**	58,522
Net income attributable to equity holders of the parent company excluding acquisition-related and reorganisation expenses	**15,439**	17,796	**64,983**	71,558
Net income attributable to equity holders of the parent company including acquisition-related and reorganisation expenses	**15,439**	14,775	**64,983**	59,410
Cash flows from operating activities	**33,337**	26,275	**140,315**	105,652
Cash flows used in investment activities	**(76,896)**	(50,106)	**(323,655)**	(201,476)
Cash flows from financing activities	**41,963**	20,059	**176,622**	80,657
Decrease in cash and cash equivalents	**(1,275)**	(4,046)	**(5,366)**	(16,269)
Total assets	**399,669**	322,443	**1,644,238**	1,422,296
Provisions	**4,434**	4,786	**18,241**	21,111
Long-term liabilities (including provisions)	**92,330**	45,180	**379,846**	199,289
Current liabilities	**60,515**	56,943	**248,959**	251,176
Shareholders' equity	**246,824**	224,396	**1,015,434**	989,811
Share capital	**512**	512	**2,106**	2,258
Average number of equivalent shares	**51,200,000**	51,200,000	**51,200,000**	51,200,000
Average number of equivalent shares (diluted)	**51,220,617**	51,237,587	**51,220,617**	51,237,587
Net earnings per ordinary share (basic and diluted) excluding acquisition-related and reorganisation expenses	**0.30**	0.35	**1.26**	1.41
Net earnings per ordinary share (basic and diluted) including acquisition-related and reorganisation expenses	**0.30**	0.29	**1.26**	1.17

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 nine months)	**4.209**	**4.047**	**4.514**	**4.114**
2011 (1st nine months)	4.021	3.840	4.490	4.411

Source: National Bank of Poland ("NBP")

Outlook for the remainder of 2012*

With relatively high admissions in the 3rd quarter of the year, supported by a number of successful franchise and independent movie titles, coupled with the strong opening of the Rishon LeZion magaplex, the Company has successfully made up for most of the performance shortfall during the first half of 2012 compared to the same period last year. In most of the countries of operations, October continued the positive trend in terms of admissions that began in the 3rd quarter.The Company expects that an improvement in admission and revenue level should continue in the 4th quarter when the movie pipeline will comprise many historically successful franchise and well-reviewed independent titles including: the latest James Bond movie, *Skyfall*, which has already proven to be the strongest opening of any James Bond movie, the last installment of the *Twilight* franchise, and the first installment of *The Hobbit*, which will be released in December in all countries of Cinema City operations, together with a number of animation movies including *Asterix and Obelix*, *Finding Nemo 3D*, *Rise of the Guardians 3D*, *Hotel Transylvania and Frankenweenie 3D.* The list of movies for the reminder of 2012 also includes Polish titles like: *Mój rower*, *Pokłosie*, *Od pełni do pełni*, *Ixjana. Z piekła rodem*

Management believes that the 2013 movie pipeline looks strong. Well known and historically successful franchise movies such as *A Good Day to Die Hard*, *The Hangover Part 3*, *The Hunger Games: Catching Fire*, *Iron Man 3*, *Smurfs 2* and *Thor: The Dark World* are scheduled for release. The second *Hobbit* installment is scheduled for release next December. New animated stories including *Planes*, *Phineas and Pherb*, *Monsters University*, *Turbo* and *Frozen* are also included in the 2013 lineup. The local product in Poland for 2013 appears to be promising and should be led by the *Wałęsa* movie, re-scheduled for October 2013 and other titles including *Sęp*, *Baby Blues*, *Tajemnica Westerplatte*, *Dzień Kobiet* and *Drogówka*.

In the past 12 months the Company opened 7 locations with a total of 76 screens, including the flagship project in Israel in Rishon Lezion, with 24 screens including the Company's first IMAX® screen in the country and the first 4DX screen in Europe/Middle East as described above. The new megaplex is the largest and the most technically advanced cinema in the Company's circuit. Performance of these newly opened cinemas should support the Company's results in the coming quarters.

In the 4th quarter of 2012, Cinema City plans to open its 14th multiplex in Romania in Ploiesti (12 screens). In 2013 the Company plans to continue opening new cinemas. In Bulgaria in the first half of 2013, the Company plans to open its second multiplex in Sofia with 14 screens. In Romania, where the Company continues to see on-going sluggishness in the real estate market, which has caused the delay of the openings of certain planned

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shopping malls, the plans for new openings currently comprise 2 projects in 2013. The Company is always monitoring the status quo of projects in Romania and seeks to optimize its development opportunities as it gets better visibility into the shopping mall leasing market. In Israel, the Company plans to open two cinemas: a Planet multiplex in Zikhron Ya'aqov (11 screens located in the extension of the existing shopping mall) and a Planet multiplex in Beer Sheva (18 screens in the newly developed shopping centre). These two projects are scheduled to open most likely during 2014.

As at 30 September 2012, the Company has signed binding lease agreements for 31 projects with approximately 330 screens and is in advanced negotiations to sign additional lease agreements. The Company takes into consideration that part of the malls, especially in Romania, 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 organically in the coming years.

The Company is also continuously analysing opportunities for small-scale acquisitions in various of its markets and considering expansion activities into new territories.

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 on 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 location multiplexes with historically strong performance. The Company will continue with its refurbishment programme in selected locations with high potential for improvement in operating and financial performance.

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With the the Company's successful launch of the 4DX theatre format in Israel this year , the Company is planning to roll out three additional 4DX halls in Warsaw, Prague and Budapest in 2013 and up to 30 4DX auditoriums in the coming 5 years.

In the fourth quarter of 2012 the Company's Forum Film subsidiaries will be distributing well-known international titles. In all countries of operations Forum Film is distributing *Skyfall*, which already opened in October to a very strong reception. In the fourth quarter of 2012, the Forum Film companies are scheduled to distribute *The Hobbit: Unexpected Journey* in 5 countries, except for the Czech Republic and Slovakia.

The Company's management continues to closely monitor the on-going 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 on-going 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 on-going 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 interim 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 interim report does not contain any forecast about the Company's and its capital group's financial results.*

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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 2012 Number of shares /% of shares	Increase/ (decrease) Number of shares	As of 30 September 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	2,475,805 / 4.84%	-522,674	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 *	na	-	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 nine months ended 30 September 2012 until the date of publication of the report

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

	As of 15 November 2012 Number of shares/% of shares	Increase/ (decrease) Number of shares	As of 30 September 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 30 September 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

DIRECTORS' REPORT

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 8 on page 23 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 nine months ended 30 September 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 15 November 2012.

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

Other
As of 30 September 2012, the Group has issued guarantees for loans that in total amount to EUR 9.0 million, PLN 452.9 (EUR 109.9) million and NIS 170.0 (EUR 33.6) million in connection with loans provided to subsidiaries.

As of 30 September 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 nine months ended 30 September 2012:
- an increase in the provision for deferred tax liabilities of EUR 338,000 (an increase of EUR 131,000 during the 3 months ended 30 September 2012);
- a decrease in the provision for accrued employee retirement rights of EUR 149,000 (a decrease of EUR 40,000 during the 3 months ended 30 September 2012).

The Management Board

Moshe J. (Mooky) Greidinger	Amos Weltsch	Israel Greidinger
President of the board	Management board	Management board
General Director	Operational Director	Financial Director

Rotterdam, 15 November 2012

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 September 2012 (Unaudited)	30 June 2012 (Unaudited)	31 December 2011 (Audited*)	30 September 2011 (Unaudited)
	EUR (thousands)			
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	**17,610**	16,308	13,159	10,749
Property and equipment	**304,710**	299,391	263,917	249,772
Other non-current assets	**18,118**	17,692	17,242	3,169
Total fixed assets	**340,438**	333,391	294,318	263,690
CURRENT ASSETS				
Inventories	**6,020**	6,173	6,652	6,055
Trade and other receivables	**44,860**	30,390	28,987	45,345
Other current financial assets	**8**	8	668	534
Cash and cash equivalents	**8,002**	7,132	9,277	6,481
Short term bank deposits – collateralized	**341**	222	340	338
Total current assets	**59,231**	43,925	45,924	58,753
TOTAL ASSETS	**399,669**	377,316	340,242	322,443
SHAREHOLDERS’ EQUITY AND LIABILITIES				
SHAREHOLDERS’ EQUITY				
Total equity attributable to equity holders of the Company	**246,824**	236,793	229,303	224,396
Non-controlling interests	**-**	-	(2,071)	(4,076)
Total equity	**246,824**	236,793	227,232	220,320
LONG-TERM LIABILITIES				
Long-term loans, net of current portion	**86,741**	78,037	36,494	36,906
Provisions	**4,434**	4,338	4,240	4,786
Other long-term liabilities	**1,155**	1,218	1,259	3,488
Total long-term liabilities	**92,330**	83,593	41,993	45,180
CURRENT LIABILITIES				
Short-term borrowings	**26,744**	22,550	30,331	18,560
Other current liabilities	**33,771**	34,380	40,686	38,383
Total current liabilities	**60,515**	56,930	71,017	56,943
TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES	**399,669**	377,316	340,242	322,443

* Extracted from the 2011 Annual Accounts.

CONDENSED CONSOLIDATED INCOME STATEMENT

	For the 9 months ended 30 September 2012 (Unaudited)	For the 3 months ended 30 September 2012 (Unaudited)	For the 9 months ended 30 September 2011 (Unaudited)	For the 3 months ended 30 September 2011 (Unaudited)
	EUR (thousands)			
Total revenues	**196,007**	**74,917**	197,578	69,386
Total operating costs	**166,223**	**60,475**	167,746	58,456
Total gross margin	**29,784**	**14,442**	29,832	10,930
General and administrative expenses	**10,401**	**4,304**	9,727	3,301
Acquisition-related and reorganisation expenses	**-**	**-**	3,021	439
Operating profit	**19,383**	**10,138**	17,084	7,190
Financial income	**1,352**	**437**	856	225
Financial expenses	**(3,721)**	**(1,499)**	(3,230)	(1,479)
Gain/(loss) on disposals & write-off of other investments	**45**	**53**	(156)	(108)
Operating income before taxation	**17,059**	**9,129**	14,554	5,828
Income tax benefit/ (expense)	**(1,369)**	**(887)**	811	1,845
Net income for the period	**15,690**	**8,242**	15,365	7,673
Attributable to:				
Equity holders of the Company	**15,439**	**8,242**	14,775	7,494
Non-controlling interest	**251**	**-**	590	179
Net income for the period	**15,690**	**8,242**	15,365	7,673
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)	***51,220,617***	***51,214,066***	*51,237,587*	*51,220,429*
Net earnings per share for profit attributable to the owners of the Company (basic and diluted)	**0.30**	**0.16**	0.29	0.15

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the 9 months ended 30 September 2012 (Unaudited)	For the 3 months ended 30 September 2012 (Unaudited)	For the 9 months ended 30 September 2011 (Unaudited)	For the 3 months ended 30 September 2011 (Unaudited)
	EUR (thousands)			
Balance as of the beginning of the period	**229,303**	**236,793**	221,730	228,546
Acquisition of non-controlling interests	**(3,724)**	**-**	-	-
Share based payment	**345**	**220**	12	4
Net income for the period	**15,439**	**8,242**	14,775	7,494
Foreign currency translation adjustment	**5,912**	**1,569**	(12,530)	(12,173)
Effective portion in fair value of cash flow hedges	**(451)**	**-**	409	525
Balance at the end of the period	**246,824**	**246,824**	224,396	224,396

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the 9 months ended 30 September 2012 (Unaudited)	For the 3 months ended 30 September 2012 (Unaudited)	For the 9 months ended 30 September 2011 (Unaudited)	For the 3 months ended 30 September 2011 (Unaudited)
	EUR (thousands)			
Cash flows from operating activities	**33,337**	**15,433**	26,275	11,233
Cash flows used in investing activities	**(76,896)**	**(26,348)**	(50,106)	(15,687)
Cash flows from financing activities	**41,963**	**11,716**	20,059	2,421
Foreign currency exchange differences on cash	**321**	**69**	(274)	(333)
Decrease in cash and cash equivalents	**(1,275)**	**870**	(4,046)	(2,366)

Cash and cash equivalents at the beginning of the period	**9,277**	**7,132**	10,527	8,847
Cash and cash equivalents at the end of the period	**8,002**	**8,002**	6,481	6,481

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 2012, 53.89% of the outstanding shares in the Company are held by I.T. International Theatres Ltd. ("ITIT"), incorporated in Israel. The Group is principally engaged in the operation of entertainment activities in various countries including: Poland, Hungary, Czech Republic, Bulgaria, Romania, 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 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 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 2011. Entities newly included in consolidation during the nine months ended 30 September 2012 are disclosed in Note 3.

The 30 September 2012 Condensed Consolidated Interim Financial Statements were authorised for issue by the Management Board on 15 November 2012.

Note 2 – Summary of significant accounting policies

A. Basis of preparation

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

A. Basis of preparation (cont'd)

The 30 September 2012 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 2011 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 2012 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 2011 and the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2012 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.

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 2011 except as described in the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2012.

C. Functional and presentational currency

The functional currencies of the operations in Central Europe are the relevant local currencies: the Bulgarian leva, the Czech crown, the Hungarian forint, Romanian New Lei and the Polish zloty. The functional currency of the operations in Israel is the New Israeli shekel (NIS). The functional currency for the Dutch, Cyprus and the Slovakian operations is the euro.
The financial statements of the above mentioned foreign operations are translated from the functional currency into Euros (presentation currency) 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 average exchange rate for the year/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.

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

D. Principles of consolidation (cont'd)

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.

E. 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 September 2012	**25.13**	**285.35**	**4.12**	**1.29**	**5.06**	**4.54**
31 December 2011	25.70	312.03	4.43	1.29	4.94	4.32
30 September 2011	24.56	291.59	4.44	1.36	5.04	4.31
Change during the period	**%**	**%**	**%**	**%**	**%**	**%**
2012 (9 months)	**(2.22)**	**(8.55)**	**(7.00)**	**0.00**	**2.43**	**5.09**
2011 (12 months)	1.62	11.43	11.59	(3.01)	4.22	0.47
2011 (9 months)	(2.89)	4.13	11.84	2.26	6.33	0.23

	Czech crown (CZK)	**Hungarian forint (HUF)**	**Polish zloty (PLN)**	**US dollar (USD)**	**Israeli shekel (NIS)**	**Romania new lei (RON)**
Average for the period						
2012 (9 months)	**25.13**	**291.28**	**4.21**	**1.28**	**4.94**	**4.43**
2011 (12 months)	24.58	279.22	4.12	1.39	4.98	4.24
2011 (9 months)	24.36	271.09	4.01	1.41	4.96	4.21
Change during the period	**%**	**%**	**%**	**%**	**%**	**%**
2012 (9 months)	**2.24**	**4.32**	**2.18**	**(7.91)**	**(0.80)**	**4.48**
2011 (12 months)	(2.92)	1.19	3.00	4.51	0.61	0.47
2011 (9 months)	(3.79)	(1.76)	0.25	6.02	0.20	(0.24)

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

E. 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 September						
2012	**25.08**	**282.84**	**4.13**	**1.25**	**4.98**	**4.52**
2011	24.36	274.20	4.14	1.42	5.01	4.26
Change quarter over quarter	**%**	**%**	**%**	**%**	**%**	**%**
2012	**2.96**	**3.15**	**(0.24)**	**(11.97)**	**(0.60)**	**6.10**
2011	(2.44)	(3.11)	2.99	10.08	2.24	(0.23)

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 3 – Changes in Consolidated Entities

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

During the first nine 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 8), 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 non-controlling interests ceased to exist.

- Cinema City Holding B.V – 100% owned by the company, incorporated in the Netherlands.

Note 4 – 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 September 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 September 2012, the Group has given guarantees amounting to EUR 9.0 million and PLN 452.9 million (EUR 109.9 million) in connection with loans provided to the Polish subsidiary. As of 30 September 2012, the Polish subsidiary bank debt is PLN 252.5 million (EUR 61.3 million).

During the nine months ended 30 September 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 33.6 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 September 2012, the Israeli subsidiary bank debt amounted to NIS 170.0 million (EUR 33.6 million).

Note 5 – 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 nine months ended September 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 September 2012, the Company had not entered into any forward foreign exchange contract.

Note 6 – 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 the nine months ended 30 September 2012, except for the 650,000 share options granted to a member of the Management Board (see Note 8). In addition 73,000 share options under the Plan that were set to expire in September 2012 were extended for one year, until September 2013.

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 September 2012 is 165,626 (which includes the 73,000 options referenced above).

The impact of the share-based payments on the financial statements of the Company for the nine months ended 30 September 2012 was an expense of EUR 345,000 (nine months ended 30 September 2011: EUR 12,000) recognised in the income statement with a corresponding increase in equity. During the nine months ended 30 September 2012 and during the year 2011 no options were forfeited or expired.

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 2012 was 51,200,000 and remained unchanged during the first nine months of 2012.

Note 8 – 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.

Acquisition of non-controlling interests

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., 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.

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).

Note 8 – Related party transactions (cont'd)

Acquisition of non-controlling interests (cont'd)

As the acquisition of the non-controlling interests qualifies as a transaction with a related party – I.M. Greidinger Ltd., 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 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 reviewed and approved the transaction and where necessary represented the Company in the transaction.

Loan provided to Israel Theatres, Ltd

During the third quarter of 2012, the Company provided a loan to Israel Theatres Ltd, the controlling shareholder of the Company (which holds 53.89% of the outstanding shares in the Company). The loan was for an aggregate principal amount of EUR 13,000,000 and bears interest at a rate of the 3 month Euribor plus 4.25%, which represents a 50 basis point premium to market rates. The parties agreed that the loan will be repaid, by Israel Theatres Ltd in one installment, by no later than June 2013. The loan is secured by a lien on the shares of two Polish affiliates of Israel Theatres Ltd, which together hold approximately 72 hectares of land in the Mszczonow area in Poland, where an amusement park project is being developed. An independent committee of the Supervisory Board of the Company approved the provision of this loan and authorized lending up to an additional EUR 7 million.

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

Note 9 - Segment Reporting

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

- Theatre operations
- Distribution - Distribution of movies
- Other- this includes mainly the company's real estate business.

	For the 9 months ended 30 September 2012 EUR (thousands) –(unaudited)				
	Theatre Operations	**Distribution**	**Other**	**Eliminations**	**Consolidated**
Revenues					
External sales	179,520	14,890	1,597	-	196,007
Inter-segment sales	-	10,752	-	(10,752)	-
Total revenues	179,520	25,642	1,597	(10,752)	196,007
Segment results	17,726	1,186	471	-	19,383
Net financial expense					(2,369)
Gain on disposals					45
Income taxes					(1,369)
Non-controlling interests					(251)
Net income					15,439

	30 September 2012 EUR (thousands) – (unaudited)				
	Theatre Operations	**Distribution**	**Other**	**Unallocated**	**Consolidated**
Segment assets	352,423	12,238	32,594	2,414	399,669
Segment liabilities	30,674	4,598	354	117,219	152,845
Capital expenditure	52,831	6,709	-	-	59,540

Note 9 - Segment Reporting (cont'd)

	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

Note 10 – Impairment losses and provisions

During the nine months ended 30 September 2012, no impairment losses were charged.

Note 11 – Subsequent events

None