

Cinema City International N.V.

Condensed Consolidated Financial Report

for the quarter ended

31 March 2013

Condensed Consolidated Financial Report for the quarter ended 31 March 2013

CONTENTS

	Page
Directors' report	1
Condensed Consolidated Interim Financial Statements for the quarter ended 31 March 2013	
Condensed Consolidated Statement of Financial Position	12
Condensed Consolidated Income Statement	13
Condensed Consolidated Statement of Changes in Equity	14
Condensed Consolidated Statement of Cash Flows	14
Notes to the Condensed Consolidated Interim Financial Statements	15

Directors' report

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 seven 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 17 May 2013 the Company operates 99 multiplexes with a total of 966 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 one of the fastest growing cinema chains in Europe with plans to open 34 new multiplexes (approximately 365 screens) underpinned with binding lease agreements.** The Company is also running film distribution through its local subsidiary companies branded Forum Film in all countries.

The Company returned to its real estate activities when it completed the acquisition of substantially all of the real estate assets of its parent company, in December 2012, which are located in Bulgaria, Israel and Poland. The acquired assets include: the Mall of Rousse and other plots of land in Bulgaria, plots of land designated to develop an amusement park in Poland, an indirect interest of 32.11% in Ronson Europe NV (RON:PL) and an office building in Herzliya and 5 other properties in Israel.

The Company shares are traded on the Warsaw Stock Exchange. As of 16 May 2013, the market share price was PLN 26.0 (EUR 6.23), giving the Company a market capitalisation of EUR 318.9 million. The Company's office is located in Rotterdam, the Netherlands.

Highlights during the first quarter of 2013

- **In the first quarter of 2013, Cinema City generated EUR 71.3 million consolidated revenue (+14.1% compared to the first quarter of 2012). Consolidated EBITDA was EUR 15.9 million (+ 18.4% compared to the first quarter of 2012) and net profit totalled EUR 5.5 million (+ 7.4% compared to the first quarter of 2012). The net profit for the first quarter of 2013 was positively impacted by consolidation of the net profit from Ronson Europe NV in the amount of EUR 0.7 million.**
- **In the first quarter of 2013 theatre operations generated revenue of EUR 63.9 million and EBITDA of EUR 13.8 million, growing by 11.8% and 11.3% respectively (compared to the first quarter of 2012).**

Directors' report

- **In the first quarter of 2013, the Company sold 9.1 million tickets in 7 countries of operations, (+6.3% compared to the first quarter of 2012). Same theatre admissions were down by 1.1% to 8.4 million tickets. Ticket prices in local currencies and in Euro went up in almost all the Company's territories of operation.**

- **In March 2013, the Company opened its 6th multiplex in Bulgaria in Paradise center in Sofia. The multiplex has 14 screens offering digital 2D, 3D projection and 4DX auditorium which will open in May. Further to the opening of the 4DX auditorium in Sofia, the Company plans to open in May 2 additional 4DX auditoriums in Warsaw, Poland and Prague, Czech Republic following the successful deployment in Rishon Lezion, Israel and Budapest, Hungary.**

- **Since the beginning of the year the Company has signed 4 lease agreements for its future multiplexes with a total of 43 screens: two lease agreements were signed in Warsaw, Poland (11 and 12 screens) and two were signed in Romania (14 screens in Bucharest and 6 screens in Ploiesti).**

- **During the first quarter of 2013, the Company's film distribution business continued to grow with higher revenue and EBITDA. The Company continues to buy more distribution rights for independent movies, which will be translated into overall higher business volumes for the Company's film distribution business.**

- **During the first quarter of 2013, the Company's real estate operations grew with higher revenue and EBITDA. The Company generated revenue from this segment of EUR 1.7 million (+232% compared to the first quarter of 2012) and EBITDA of EUR 1.1 million (+311% compared to the first quarter of 2012).**

Theatre operations

The Company's theatre operations in the first quarter of 2013 generated revenue of EUR 63.9 million, an increase of +11.8% compared to the first quarter of 2012. This increase is mainly due to the increase in the admission number in most of the territories and the increase of the average ticket price in Euro and in local currencies in most of the Company's territories of operation. During the period the Company sold 9.1 million tickets which was 6.3% higher than the first quarter in 2012 and varied by territory from increased volumes in Israel, Romania, Hungary, Bulgaria and Czech Republic, through stable attendance in Slovakia and lower admissions in Poland. The most notable international titles of the quarter were Life of Pi, , Django Unchained, Silver Linings Playbook and Oz: The Great and Powerful 3D, followed by a number of mid-range international titles. In same theatre terms, the Company sold 8.4 million tickets in the first quarter of 2013, which is 1.1% less than in the first quarter of 2012. Ticket prices in local currencies and in Euro went up in almost all the Company's territories of operation.

In March 2013, the Company opened its 6th multiplex in Bulgaria, the 14 screens multiplex is the Company's second cinema in Sofia and its located in the biggest shopping mall in Bulgaria. The cinema is offering digital

Directors' report

2D and 3D projection. The 4DX auditorium will open in May this year. The Company believes this will be a good strategic addition to the Company's theatre chain.

The installation of digital equipment into all of the Company's auditoriums was fully completed during the first six months of 2012. The digitalization should bring a number of benefits both in terms of revenues and costs. The Company is now able to offer the best viewing experience, including 3D format, in all of its multiplexes. The Company can now capture 3D ticket price premium in all of its theatres, which supports revenues and EBITDA. Full digitalisation should also translate into a reduction of operating costs, including a reduction of labour cost as digital projectors require less on-going manpower than traditional reel-to-reel projectors and savings in cinema advertising costs. In addition, the Company is now recognizing revenue from most of the studios under negotiated "virtual print fee" arrangements in return to the Company investment in digitalisation.

Film distribution activities

Revenues generated by the Company's film distribution division increased by over 18.2% from EUR 4.8 million in the first quarter of 2012 to EUR 5.7 million during the first quarter of 2013 and EBITDA from this segment increased from EUR 0.8 million in the first quarter of 2012 to EUR 1.0 million. The main reason for the increase in the EBITDA was the increasing number of independent movies that the Company distributed during the first quarter of 2013 compared to the same period in 2012. The performance of the Company's film distribution business varied by territory, with improved performance in most of the Company's territories particularly in Israel.

Real estate operations

Revenue generated by the Company's real estate operations significantly increased from EUR 0.5 million in the first quarter of 2012 to EUR 1.7 million during the first quarter of 2013 and EBITDA from this segment increased from EUR 0.2 million in the first quarter of 2012 to EUR 1.1 million. The main reasons for the increase are resulting from the operation of the new real estate assets, mainly Mall of Rouse in Bulgaria and the office building in Herzliya, Israel, that the Company acquired during December 2012 and from rentals of space in the newly opened Yes Planet in Rishon LeZion, Israel.

The net profit for the first quarter of 2013 was positively impacted by consolidation of the net profit from Ronson Europe NV in the amount of EUR 0.7 million.

Directors' report**Overview of results**

The Company's net income attributable to equity holders of the parent company for the first quarter of 2013 was EUR 5,518,000 and can be summarised as shown below.

	For the 3 months ended 31 March	
	<u>2013</u>	<u>2012</u>
	EUR	
	<u>(thousands, except per share data)</u>	
Continuing operations		
Revenues	71,302	62,485
Operating costs, excluding depreciation and amortisation	<u>51,351</u>	<u>45,327</u>
Gross result	19,951	17,158
General and administrative expenses	4,073	3,751
EBITDA¹	15,878	13,407
Depreciation and amortisation	7,793	7,137
Operating profit	8,085	6,270
Financial income	441	629
Financial expenses	(3,288)	(1,356)
Gain and loss on disposals and write-off of other investments	20	(16)
Share of profit of equity-accounted investees (net of tax)	<u>708</u>	<u>-</u>
Operating income before taxation	5,966	5,527
Income taxes	(449)	(320)
Net income for the period	5,517	5,207
Non-controlling Interests	<u>1</u>	<u>(68)</u>
Net income attributable to equity holders of the parent company	5,518	5,139
Weighted average number of equivalent shares (basic)	<u>51,200,000</u>	<u>51,200,000</u>
Weighted average number of equivalent shares (diluted)	<u>51,210,531</u>	<u>51,226,295</u>
Net earnings per ordinary share (basic and diluted of EUR 0.01 each)	<u>0.11</u>	<u>0.10</u>

¹¹ 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

Directors' report

Revenues

Total revenues increased by 14.1% from EUR 62.5 million during the quarter ended 31 March 2012 to EUR 71.3 million during the quarter ended 31 March 2013.

Theatre operating revenues increased by 11.8% from EUR 57.1 million during the quarter ended 31 March 2012 to EUR 63.9 million during the quarter ended 31 March 2013. This increase is mainly due to two factors: (1) the increase in theatre admissions (2) the increase of the average ticket price in Euro and in local currencies in most of the Company's territories of operations.

Distribution operating revenues increased by 18.2% from EUR 4.8 million during the quarter ended 31 March 2012 to EUR 5.7 million during the quarter ended 31 March 2013. The increase is mainly due to the increase in the distribution activities in most of the Company's territories of operations.

Real Estate operation revenues increased by 232% from EUR 0.5 million during the quarter ended 31 March 2012 to EUR 1.7 million during the quarter ended 31 March 2013. The main reason for the increase is resulting from the operation of the new real estate assets that the Company acquired during December 2012

Operating Costs

Operating costs, excluding depreciation and amortisation, increased by 13.3% from EUR 45.3 million during the quarter ended 31 March 2012 to EUR 51.4 million during the quarter ended 31 March 2013. This net increase resulted primarily from the total effects of an increase in theatre operation expenses primarily explained by the increase in the revenue generated from theatre operations as mentioned above. The theatre operating expenses, excluding depreciation and amortisation, as a percentage of total theatre revenues, for the quarter ended 31 March 2013, remain on the same level of 72.6% as it was during the quarter ended 31 March 2012.

The operating cost related to the real estate operation increased as a result from the operation of the new real estate assets that the Company acquired during December 2012.

General and administrative expenses

General and administrative expenses increased by 8.6% from EUR 3.8 million during the quarter ended 31 March 2012 to EUR 4.1 million during the quarter ended 31 March 2013. The increase in general and administrative expenses is due to the growth in the Company's business activities.

EBITDA (Earnings before Interest Tax Depreciation and Amortisation)

As a result of the factors described above, EBITDA increased by 18.4%, from EUR 13.4 million for the quarter ended 31 March 2012 to EUR 15.9 million for the quarter ended 31 March 2013.

Directors' report

Depreciation and amortisation

Depreciation and amortisation expenses increased by 9.2% from EUR 7.1 million for the quarter ended 31 March 2012 to EUR 7.8 million for the quarter ended 31 March 2013. The increase is explained mainly by higher depreciation due to the newly opened theatres in 2012, primarily in Israel and Romania and amortisation of new distribution rights.

Operating profit

As a result of the factors described above, operating profit increased by 28.9% from EUR 6.3 million during the quarter ended 31 March 2012 to EUR 8.1 million during the quarter ended 31 March 2013.

Financial income/expenses

The balance of financial income and expenses resulted in a net expense of EUR 2.8 million during the quarter ended 31 March 2013 compared to a net expense of EUR 0.7 million during the quarter ended 31 March 2012. The increase is mainly due to an increase in bank debt following the bank club financing agreement that the Company closed in December 2012.

Share of equity- accounted investment

The Share of profit of equity-accounted investment (net of tax) comprise the Company investment in Ronson Europe NV. For the first quarter of 2013 the investment was positively impacted by consolidation of the net profit from Ronson Europe NV in the amount of EUR 0.7 million.

Income tax

Income tax amounted to a net tax expense of EUR 0.4 million during the quarter ended 31 March 2013 compared to a net expense of EUR 0.3 million during the quarter ended 31 March 2012.

Non-controlling interests

Non-controlling interests comprise the share of minority shareholders in net profits or losses from subsidiaries that are not 100% owned by the Company and did not impact the company results for the quarter ended 31 March 2013, while during the first quarter of 2012 it was EUR 0.1 million (negative)

Net income

As a result of the factors described above, the Company's net income attributable to equity holders of the parent company increased by 7.4% from EUR 5.1 million during the quarter ended 31 March 2012 to EUR 5.5 million during the quarter ended 31 March 2013.

Directors' report**Selected financial data**

	EUR		PLN	
	(thousands, except per share data)			
	For the quarter ended 31 March			
	2013	2012	2013	2012
Revenues	71,302	62,485	296,260	264,299
Operating profit	8,085	6,270	33,593	26,521
Operating income before taxation	5,966	5,527	24,789	23,378
Net income attributable to equity holders of the parent company	5,518	5,139	22,927	21,737
Cash flows from operating activities	7,518	6,548	31,237	27,697
Cash flows used in investment activities	(8,581)	(25,149)	(35,654)	(106,375)
Cash flows from/ (used in) financing activities	(11,050)	17,129	(45,913)	72,452
Decrease in cash and cash equivalents	(12,113)	(1,472)	(50,330)	(6,226)
Total assets	528,569	369,196	2,208,044	1,536,446
Provisions	6,101	4,320	25,486	17,978
Long-term liabilities (including provisions)	210,737	69,564	880,333	289,498
Current liabilities	54,723	60,587	228,600	252,139
Shareholders' equity	261,754	241,043	1,093,451	1,003,125
Share capital	512	512	2,139	2,131
Average number of equivalent shares	51,200,000	51,200,000	51,200,000	51,200,000
Average number of equivalent shares (diluted)	51,210,531	51,226,295	51,210,531	51,226,295
Net earnings per ordinary share (basic and diluted)	0.11	0.10	0.46	0.42

Selected financial data were translated from EURO into PLN in the following way:

- (i) Balance sheet data were translated using the average exchange rate published by the National Bank of Poland for the last day of the year / period.
- (ii) Income Statement and cash flows data were translated using the arithmetical average of average exchange rates published by the National Bank of Poland for the last day of every month within year / period.

PLN/EUR	Exchange rate of Euro versus the Polish Zloty			
	Average exchange rate	Minimum exchange rate	Maximum exchange rate	Quarter end exchange rate
2013 (1 st quarter)	4.1550	4.0671	4.2028	4.1774
2012 (1 st quarter)	4.2298	4.1062	4.5135	4.1616

Source: National Bank of Poland ("NBP")

Directors' report

Outlook for the remainder of 2013*

From the beginning of the year the Company generated higher number of admissions and box office receipts compared to the first four months of 2012. The Company believes that coming months and quarters shall bring a promising movie pipeline with such hits like: Hangover Part III, Star Trek into Darkness, Monsters University, Smurfs 2, Planes 3D, Turbo 3D, Hobbit: The Desolation of Smaug, Hunger Games: Catching Fire and others. Domestic product in Poland also looks promising with such titles like Wałęsa, AmbaSSada, Oszukane and others.

On 28 March 2013 the Company opened its 14 screens multiplex in Sofia, Bulgaria. In total, the company expects to add 30-40 new screens during 2013, to include 2-3 new cinemas in Romania. Theatre operations in 2013 will be supported by cinemas opened in 2012 and especially by results generated by 24 screens Yes Planet in Rishon Lezion, Israel opened in July 2012.

In May the Company will complete the first stage of deployment of the cutting-edge 4-DX™ systems. The 4DX™ auditoriums are open in Rishon Lezion, Israel (July 2012) and in Budapest, Hungary (March 2013) and since May in Warsaw, Poland, Prague, Czech Republic and Sofia, Bulgaria. The Company is planning to open successive 4DX™ auditoriums in its prime located cinemas in the future. The 4DX™ is the premiere cinema system technology allowing to view feature-length Hollywood films in 4D with choreographed mix of air, water, scent, motion, vibration, etc. immersing fully the audience, who becomes a part of the action on the screen.

With the digitalization of all of its movie theatres completed, the Company is realising high benefits both on the operational side, by reducing operating expenses, and on the income side, primarily by capturing the cash generative potential of 3D ticket price, and more flexibility in scheduling movies. and alternative movie titles.

Cinema City succeeded in renegotiating lease agreements for ex Palace Cinemas multiplexes, which translated into cost savings. The Company plans to continue re-negotiations of selected lease agreements for ex Palace Cinemas which is the final stage of restructuring of Palace Cinemas chain acquired in January 2011.

Real estate acquired by the Company in December 2012 should contribute to the overall Cinema City operations in 2013. In the Mall of Rouse, since the beginning of 2013, the Company has signed new lease agreements with well known tenants for shops in Mall of Rouse: New Yorker (clothes) and Hipoland (toy shop). The real estate in Israel is generating stable income and the Company believes that it can divest part of them opportunistically. In Poland, management is considering potential next phases of development of Park of Poland, while conducting work on preparing the land for investment. Ronson Europe, a residential developer in Poland, should note a good number of handovers in 2013, while preparing and starting subsequent projects in Warsaw and Poznań, which should generate the company's results in the coming years.

Cinema City continues to develop its cinema circuit organically. In April the Company has signed two lease agreements for its future multiplexes in Warsaw, Poland and in May the Company signed additional lease agreement for cinema space in two shopping malls in Romania. The Company continues development of its large stand-alone cinema in Jerusalem, Israel. In total, the Company currently has binding commitments for an additional 34 sites (representing approximately 365 screens) including 24 sites with approximately 230 screens in Romania. The Company is in the process of negotiating additional lease agreements in its countries of operation and is considering development of its own large stand-alone cinemas in selected locations. The Company will continue its on-going refurbishment program in selected locations with high potential for improvement in operating and financial performance.

The Company's management continues to closely monitor the unfolding debt and Euro crisis in the Eurozone, its potential implications on the Company's countries of operations, and general economic and industry trends both locally and around the world. As mention above the Company continues to have binding commitments for an

Directors' report

additional 34 sites. However, because the mall opening dates are dependent on the mall developers and there is a continuing tendency in the Company's market to complete mall construction behind schedule, it remains difficult for the Company to accurately estimate the opening dates of its projects. This issue has been particularly exacerbated by the ongoing regional slowdown in real estate development brought on by the past three years' worldwide financial and real estate crisis, during which period some of the Company's real estate projects were having difficulties in securing financing necessary to commence construction.

However, the Company still believes that the planned opening of many of the multiplexes for which it has signed lease contracts will take place. As the Company, in most cases, does not begin to expend capital for theatre construction in its new theatres until very close to the scheduled opening date, the failure to complete any particular mall project or even a number of projects, should not have a material negative impact on the Company's ongoing operations and results, since such failure would not pose a significant financial risk to the Company. If the completion of mall projects is either delayed or cancelled, this would only impact the rate of the Company's future growth and not its ongoing operations.

** Certain statements contained in this quarter 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 quarter 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 17 May 2013 Number of shares /% of shares	Increase/ (decrease) Number of shares	As of 31 March 2013 Number of shares/ % of shares	Increase/ (decrease) Number of shares	As of 31 December 2012 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%
ING Powszechnie Towarzystwo Emerytalne SA	2,680,095 / 5.23%	-	2,680,095 / 5.23%	-	2,680,095 / 5.23%

In the register of major holdings maintained by the Dutch Authority for the Financial Markets the following major holdings are disclosed:

- DKG Investment Ltd.: 40.05% (share in capital and voting rights). This concerns a holding company through which the shares in I.T. International Theatres Ltd. owned by two members of the Management Board (see below) are jointly held
- ING Open Pension Fund: 5.23%.

Changes in ownership of shares and rights to shares by Management Board members in the first quarter of 2013 and until the date of publication of the report

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

	As of 17 May 2013 Number of shares/% of shares	Increase/ (decrease) Number of shares	As of 31 March 2013 Number of shares/% of shares	Increase/ (decrease) Number of shares	As of 31 December 2012 Number of shares/% of shares
Moshe Greidinger*	11,266,837/ 22.00%	+2,238	11,264,599/ 22.00%	-	11,264,599/ 22.00%
Amos Welsch	None	-	None	-	None
Israel Greidinger*	11,266,837/ 22.00%	+2,238	11,264,599/ 22.00%	-	11,264,599/ 22.00%

* 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 2012 until 17 May 2013 with exception of the option plan granted to Mr. Welsch as described in the 2012 Annual Accounts.

Changes in ownership of shares and rights to shares by Supervisory Board members in the first quarter of 2013 and 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 2012 until 17 May 2013.

Directors' report

Additional information to the report (cont'd)

Changes in the composition of the Supervisory Board and Management Board

None.

Other

As of 31 March 2013, 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 three months ended 31 March 2013:

- An increase in the provision for deferred tax liabilities of EUR 382,000;
- A decrease in the provision for accrued employee retirement rights of EUR 29,000.

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, 17 May 2013

Condensed Consolidated Financial Statements for the quarter ended 31 March 2013

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 March 2013 (Unaudited)	31 December 2012 (Audited*)	31 March 2012 (Unaudited)
	EUR (thousands)		
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	18,203	18,361	15,202
Property and equipment	340,089	341,289	287,106
Investment property	82,099	80,731	-
Investment in an associate	35,734	35,969	-
Other non-current assets	6,551	5,986	17,482
Total non-current assets	482,676	482,336	319,790
CURRENT ASSETS			
Inventories	4,478	4,544	6,684
Trade and other receivables	24,090	28,789	34,142
Other current financial assets	8	7	123
Cash and cash equivalents	14,549	26,666	8,117
Short term bank deposits – collateralized	2,768	3,083	340
Total current assets	45,893	63,089	49,406
TOTAL ASSETS	528,569	545,425	369,196
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Total equity attributable to equity holders of the Company	261,754	257,674	241,043
Non-controlling interests	1,355	1,356	(1,998)
Total equity	263,109	259,030	239,045
LONG-TERM LIABILITIES			
Long-term loans, net of current portion	202,556	204,077	64,058
Provisions	6,101	5,748	4,320
Other long-term liabilities	2,080	2,106	1,186
Total long-term liabilities	210,737	211,931	69,564
CURRENT LIABILITIES			
Short-term borrowings	19,808	22,742	23,355
Other current liabilities	34,915	51,722	37,232
Total current liabilities	54,723	74,464	60,587
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	528,569	545,425	369,196

* Extracted from the 2012 Annual Accounts.

Condensed Consolidated Financial Statements for the quarter ended 31 March 2013**CONDENSED CONSOLIDATED INCOME STATEMENT**

	For the 3 months ended 31 March 2013 (Unaudited)	For the 3 months ended 31 March 2012 (Unaudited)
	EUR (thousands, except per share data and number of shares)	
Revenues	71,302	62,485
Operating costs	59,144	52,464
Gross margin	12,158	10,021
General and administrative expenses	4,073	3,751
Operating profit	8,085	6,270
Financial income	441	629
Financial expenses	(3,288)	(1,356)
Gain/ (loss) on disposals, and write-off of other investments	20	(16)
Share of profit of equity-accounted investees (net of tax)	708	-
Operating income before taxation	5,966	5,527
Income tax expense	(449)	(320)
Net income for the period	5,517	5,207
Attributable to:		
Equity holders of the parent company	5,518	5,139
Non-controlling interests	(1)	68
Net income for the period	5,517	5,207
Earnings per share		
Weighted average number of equivalent shares (basic)	51,200,000	51,200,000
Weighted average number of equivalent shares (diluted)	51,210,531	51,226,295
Net earnings per share for profit attributable to the equity holders of the Company (basic and diluted)	0.11	0.10

Condensed Consolidated Financial Statements for the quarter ended 31 March 2013**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	For the 3 months ended 31 March 2013 (Unaudited)	For the 3 months ended 31 March 2012 (Unaudited)
	EUR (thousands)	
Balance as of the beginning of the period	257,674	229,303
Share based payments	110	-
Net income for the period	5,518	5,139
Foreign currency translation adjustment	(1,148)	6,952
Effective portion in fair value of cash flow hedges	(400)	(351)
Balance at the end of the period	<u>261,754</u>	<u>241,043</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the 3 months ended 31 March 2013 (Unaudited)	For the 3 months ended 31 March 2012 (Unaudited)
	EUR (thousands)	
Cash flows from operating activities	7,518	6,548
Cash flows used in investing activities	(8,581)	(25,149)
Cash flows (used in)/ from financing activities	<u>(11,050)</u>	<u>17,129</u>
Decrease in cash and cash equivalents	(12,113)	(1,472)
Cash and cash equivalents at the beginning of the period	26,666	9,277
Foreign currency exchange differences on cash	(4)	312
Cash and cash equivalents at the end of the period	<u>14,549</u>	<u>8,117</u>

Condensed Consolidated Financial Statements for the quarter ended 31 March 2013

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 31 March 2013, 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 three months ended 31 March 2013 comprise the Company and its subsidiaries and joint ventures (together referred to as "the Group") and the Group's interest in associates.

The 31 March 2013 Condensed Consolidated Interim Financial Statements were authorised for issue by the Management Board on 17 May 2013.

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 2012, except for the adoption of the following new or amended Standards and Interpretations applicable to annual reporting periods beginning on or after 1 January 2013:

- Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income - effective for financial years beginning on or after 1 July 2012.

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

Condensed Consolidated Financial Statements for the quarter ended 31 March 2013

Note 2 – Summary of significant accounting policies (cont'd)**A. Basis of preparation (cont'd)**

The 31 March 2013 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 2012 Annual Accounts which have been prepared in accordance with International Financial Reporting Standards (IFRS).

The Consolidated Financial Statements of the Group for the year ended 31 December 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 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 2012 and 2013 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.

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.

Condensed Consolidated Financial Statements for the quarter ended 31 March 2013**Note 2 – Summary of significant accounting policies (cont'd)****E. Exchange rates**

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

As of	Exchange rate of euro					
	Czech crown (CZK)	Hungarian forint (HUF)	Polish zloty (PLN)	US dollar (USD)	Israeli shekel (NIS)	Romania New Lei (RON)
31 March 2013	25.73	304.20	4.18	1.28	4.66	4.42
31 December 2012	25.11	290.85	4.08	1.32	4.92	4.44
31 March 2012	24.77	295.12	4.16	1.33	4.95	4.38
Change during the period	%	%	%	%	%	%
2013 (3 months)	2.47	4.59	2.45	(3.03)	(5.28)	(0.45)
2012 (12 months)	(2.30)	(6.79)	(7.90)	2.32	(0.40)	2.78
2012 (3 months)	(3.62)	(5.42)	(6.09)	3.10	0.20	1.39

Average 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)
2013 (3 months)	25.54	296.26	4.15	1.32	4.90	4.39
2012 (12 months)	25.14	289.31	4.18	1.29	4.95	4.46
2012 (3 months)	25.08	297.01	4.23	1.31	4.94	4.35
Change during the period	%	%	%	%	%	%
2013 (3 months)	1.59	2.40	(0.72)	2.33	(1.01)	(1.57)
2012 (12 months)	2.28	3.61	1.46	(7.19)	(0.60)	5.19
2012 (3 months)	2.03	6.37	2.67	(5.76)	(0.80)	2.59

*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.

The local currency in Slovakia and Cyprus is the euro.

Note 3 – Changes in Consolidated Entities**Changes in consolidated and associated entities during the first quarter of 2013**

During the first quarter of 2013, there was no change in the consolidated and associated entities.

Condensed Consolidated Financial Statements for the quarter ended 31 March 2013

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 2012. The commitments, contingent liabilities and liens as disclosed in the Company's 2012 Annual Accounts for the year ended 31 December 2012 have not materially changed as at 31 March 2013, except for further commitments to open new cinemas as part of the Company's expansion plans and except for securities as disclosed below.

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 2012 Annual Accounts.

As described in the 2012 Annual Accounts, the Company closed a new club bank financing agreement in December 2012, a six-year facility agreement consisting of a EUR 140 million term loan (split into EUR 102 million and EUR 38 millions in Polish Zloty) and additionally a EUR 70 million revolving credit facility (split into EUR 51 million and EUR 19 millions in Polish Zloty). Early 2013, the Company concluded interest rate swap agreements for an amount of EUR 92.4 million (representing 66% of the term loan) for a period of two years in accordance with the terms of the facility agreement, on a weighted average fixed rate of 4.06 % whilst the revolving credit facility and the rest of the term loan attract floating interest rates of EURIBOR + 3.5% for amounts denominated in euro and WIBOR + 3.5% for amounts denominated in Polish zloty.

The Company has taken steps to ensure that the interest rate swap is accounted for as a hedge and that changes in its valuation are recognized through reserves.

Swap agreements have been valued in the Condensed Consolidated Statement of Financial Position at 31 March 2013 at their fair value. The valuation of agreements is booked directly into equity in a separate Hedge reserve. Amounts are released from the Hedge reserve to profit or loss when the future transaction is settled.

Condensed Consolidated Financial Statements for the quarter ended 31 March 2013

Note 6 – Share-based payments

The Company has implemented a long-term incentive plans (the “Plans”). Under the Plans, share options can be granted to members of the Management Board and selected employees. For details of the Plans, reference is made to the Consolidated Financial Statements of the Group for the year ended 31 December 2012. No new options were granted to employees during for the three months ended 31 March 2013.

The weighted average exercise price of options outstanding (vested but not yet exercised) is EUR 6.57. The number of exercisable options at 31 March 2013 is 287,504.

The impact of the share-based payments on the financial statements of the Company for the three months ended 31 March 2013 was an expense of EUR 110,000 which was recognised in the income statement with a corresponding increase in equity (three months ended 31 March 2012: EUR nil). During the three months ended 31 March 2013 and during the year 2012 no options were forfeited.

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 2013 was 51,200,000 and remained unchanged during the first quarter of 2013.

Note 8 – Related party transactions

There were no material transactions and balances with related parties during the first quarter of 2013 other than were already disclosed above and in the 2012 Consolidated Financial Statements.

Condensed Consolidated Financial Statements for the quarter ended 31 March 2013**Note 9 - Segment Reporting**

The primary segment information is presented in respect of the Group's operating 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 the Company's real estate business.

	For the 3 months ended 31 March 2013				
	EUR (thousands) –(unaudited)				
	<u>Theatre Operations</u>	<u>Distribution</u>	<u>Other</u>	<u>Eliminations</u>	<u>Consolidated</u>
Revenues	63,853	5,731	1,718	-	71,302
External sales					
Inter-segment sales	-	4,604	208	(4,812)	-
Total revenues	<u>63,853</u>	<u>10,335</u>	<u>1,926</u>	<u>(4,812)</u>	<u>71,302</u>
Segment results	<u>6,978</u>	<u>102</u>	<u>1,005</u>	<u>-</u>	<u>8,085</u>
Net financial expense					(2,847)
Gain on disposals					20
Share of profit of equity-accounted investees (net of tax)					708
Income taxes					(449)
Net income					<u>5,517</u>

	31 March 2013				
	EUR (thousands) – (unaudited)				
	<u>Theatre Operations</u>	<u>Distribution</u>	<u>Other</u>	<u>Unallocated</u>	<u>Consolidated</u>
Segment assets	<u>346,208</u>	<u>16,395</u>	<u>163,159</u>	<u>2,807</u>	<u>528,569</u>
Segment liabilities	<u>29,158</u>	<u>5,823</u>	<u>3,046</u>	<u>227,433</u>	<u>265,460</u>
Capital expenditure	<u>5,859</u>	<u>901</u>	<u>1,720</u>	<u>-</u>	<u>8,480</u>

Condensed Consolidated Financial Statements for the quarter ended 31 March 2013

Note 11 – Subsequent events

None