Press release

Warsaw, 14th March 2013

Strong Cinema City Financial Results in Q4 2012

Good performance in 2012 underpinned by new cinemas and full digitalization.

Highlights during 2012

- **Strong financial results in the 4th quarter 2012.** The Company generated EUR 84.6 million revenues (+21.1% yoy). Consolidate EBITDA was EUR 18.4 million (+21.9% yoy) and net profit EUR 9.3 million (+ 45.7% yoy).

- **Theatre operations in the 4th quarter 2012.** The number of admissions went up to 10.5 million (+11% yoy) and on a same theatre basis the number of admission was 9.8 million (+4.2% yoy). **In the 4th quarter 2012 theatre operations generated revenues of EUR 73.8 million and EBITDA of EUR 16.7 million,** growing by 17.6% and 17.4% respectively compared to the 4th quarter in 2011, both excluding acquisition-related and reorganisation expenses incurred in the 4th quarter of 2011.

- **Consolidated financial results of Cinema City in 2012 enhanced by new cinema openings, completion of digitalisation and the integration of Palace Cinemas.** The Company generated revenues of EUR 280.7 million (+ 4.9% yoy) and EBITDA of EUR 60.2 million, (+12.7% yoy) and net profit of EUR 24.8 million (+2.4% yoy), both excluding acquisition-related and reorganisation expenses incurred in 2011.

- **Improved margins generated by Cinema City in 2012.** EBITDA margin equalled 21.5% and net profit margin 8.9%, up by 1.5 ppt and flat respectively, both excluding acquisition-related and reorganisation expenses incurred in 2011.

- **Theatre operations performed well in 2012.** The number of admissions went up to 36.3 million (+2.5% yoy) and on a same theatre basis the number of admission was 34.4 million (-2.8% yoy). **In 2012 theatre operations generated revenues of EUR 253.3 million and EBITDA of EUR 54.2 million,** growing by 3.9% and 6.8% respectively over 2011, both excluding acquisition-related and reorganisation expenses incurred in 2011. Average ticket price remained stable at EUR 4.56, while in local currencies average ticket prices increased in most of the Company's territories. Revenue per head increased to EUR 1.53 (+ 4% yoy).

- **New openings, closings and future development of Cinema City chain.** In 2012, the Company opened 5 new cinemas with a total of 62 screens and 11 screens have been closed. The Company signed two lease agreements for future multiplexes in Israel for a total of 29 screens. The Company has also conducted preliminary works for its new real estate type cinema in Jerusalem, Israel. **The Company's total screen count as at 31 December 2012 is 952 in 98 multiplexes (including 10 IMAX® theatres and 1 4DX auditorium**).

- **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.** During 2012 Forum Film companies distributed Skyfall and Hobbit in most of the Company's markets as well they were buying more distribution rights for independent movies. In March 2012, Forum Film Czech started its operation. The Company now acts as a film distributer in every country of operation.

- **In December Cinema City acquired all real estate business from its parent company Israel Theatres**. 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 and in Israel an office building in Herzliya and 5 other cinema properties.

- **The Company signed a bank club financing agreement for a total amount of EUR 210 million with leading European banks: BZ WBK (Santander Group), ING Bank and HSBC**. The new credit facility was used to finance the Israel Theatres acquisition refinance its existing debts and to finance the Company's new cinema projects. During February 2013 an additional European leading bank, BNP Paribas, joined the new club bank financing group.

"We have established in 2012 a clear continuity of our strategy, combining new openings in both mature and virgin markets with introduction of new technologies in the industry, refurbishing of older cinemas, and fulfilling all the above while maintaining our high standard of service to our loyal customers. No doubt, the opening of our flagship Megaplex in Rishon Le'Tzion, Israel, was a creation of a new standard to our company and giving us a new benchmark for the future. Company has completed the digitalization process at the beginning of 2012, which made us one of the first big cinema circuits in the Europe to do so. I would also emphasize that the full integration of the Palace cinemas, which we acquired in 2011 was also a great contribution to our impressive results" - **said Mr. Moshe (Mooky) Greidinger, CEO of Cinema City International.** *"We are soon reaching two magical numbers which will be 100 theatres (already at 98), and 1,000 screens (already at 952). These are of course symbolic numbers but they are a real part of our strategic priority of continuous growth while creating the right atmosphere in Cinema City that will make our customers visit us again and again. If we look at the fact that we have serviced this year more than 36 million customers we can be very proud of our professional team in Cinema City and look optimistically at 2013".* **Mr. Greidinger continued.**

Financial results*

**full statement and investor presentation available on www.cinemacity.nl*

In 2011, the Company incurred € 3.0 million of one-time Palace Cinemas acquisition- related and reorganisation expenses. Financial results of 2012 in this press release are compared to results of 2011 excluding these one-time expenses.

Results of the 4th quarter of 2012 supported well Cinema City's performance in 2012 with revenue going up by 21.1% to EUR 84.6 million, EBITDA of EUR 18.4 million and net profit of EUR 9.3 million (up by 21.9% and 45.7% over the 4th quarter 2011 both excluding the acquisition-related and reorganisation expenses incurred in the 4th quarter 2011). The net profit for the 4th quarter 2012 was positively impacted by consolidation of the net profit from Ronson Europe NV in the amount of EUR 1.4 million.

In 2012 Cinema City International generated revenue of EUR 280.7 million (+4.9% yoy). Increase in revenue was driven by higher number of admissions, generated mostly by new multiplexes opened in 2011 and 2012, in total 9 cinemas with 96 screens. In 2012 the Company opened 5 cinemas with 62 screens including the new 24 screens megaplex in Rishon Lezion, Israel. Other cinemas open in 2012 include: two cinemas in Romania: in April in Constanza (8 screens) and in December in Ploiesti (12 screens), one cinema in Bulgaria in Burgas (10 screens) in May and one cinema in Ostrava (8 screens), the Czech Republic in March. Higher average tickets prices in most of the territories supported revenue generated by Cinema City during the year. The increase in revenue was partially offset mainly by lower admissions in Poland and by the weakness of the Polish zloty, Hungarian forint and Romanian lei against the Euro compare to the same period last year.

The Company's EBITDA in 2012 totalled EUR 60.2 million (+12.7% yoy), 2012 EBIT was EUR 29.6 million (+5.9% yoy) and 2012 net profit was EUR 24.8 million (+2.5% yoy) all excluding acquisition-related and reorganisation expenses incurred in 2011).

The Company's results in 2012 were enhanced by cost savings from the full digitalization of the cinema circuit completed mid-year, which included benefits from "virtual print fee" agreements signed with all major film studios, payroll savings and lower advertising costs. Ex-Palace Cinemas multiplexes, restructured and integrated with Cinema City already in 2011, have improved their performance in 2012 and the Company did not incur any more one-time restructuring costs related to acquisition of these multiplexes, which in 2011 amounted to over EUR 3 million. In 2012 the Company's depreciation and amortization expenses increased by 20.2% to EUR 30.6 million. The increase is explained mainly by higher depreciation due to newly opened theatres in 2012 and additional depreciation relating to the investment in the digitalization

Profit and loss account Selected positions (€ thousands)	Q4 2012	Q4 2011	*change %*	2012	2011	*change %*
Revenues	84 646	69 880	21,1%	280 653	267 459	4,9%
EBITDA	18368	14 810	24,0%	60 211	50 147	20,1%
EBITDA(excluding one-time Palace Cinemas related costs)	*18 368*	*15 067*	*21,9%*	*60 211*	*53 425*	*12,7%*
EBIT	10 274	7 643	34,4%	29 656	24 730	19,9%
EBIT (excluding one-time Palace Cinemas related costs)	10 274	*7 900*	*30,1%*	*29 656*	*28 008*	*5,9%*
Net profit	9 336	6 151	51,8%	24 776	20 925	18,4%
Net profit (excluding one-time Palace Cinemas related costs)	9 336	*6 408*	*45,7%*	*24 776*	*24 203*	*2,4%*

Revenues by countries (€ thousands)	Q4 2012	Q4 2011	*change %*	2012	2011	*change %*
Poland	32 517	31 607	2,9%	109 512	115 451	-5.1%
Czech Republic	9 142	6 723	36,0%	29 950	26 806	11.7%
Hungary	12 623	9 289	35,9%	41 524	38 708	7.3%
Bulgaria	2 999	2 463	21,8%	10 412	9 089	14.6%
Romania	8 055	5 999	34,3%	25 607	21 861	17.1%
Slovakia	2 834	2 332	21,5%	9 634	8 778	9.8%
Israel	16 476	11 466	43,7%	54 014	46 766	15.5%
Total revenues	**84 646**	**69 880**	**21,1%**	**280 653**	**267 459**	**4.9%**

Revenues by segments in EUR `000	Q4 2012	Q4 2011	*change %*	2012	2011	*change %*
Theatre operation	73 822	62 779	17,6%	253 343	243 783	3,9%
Ticket sales	*47 151*	*40 092*	17,6%	*165 740*	*160 457*	3,3%
Concession	*16 455*	*13 128*	25,3%	*55 725*	*52 260*	6,6%
Advertising	*10 216*	*9 559*	6,9%	*31 878*	*31 066*	2,6%
Distribution	10 041	6 629	51,5%	24 931	21 772	14,5%
Real estate	782	471	66,0%	2 379	1 904	24,9%
Total revenues	**84 645**	**69 879**	**21,1%**	**280 653**	**267 459**	**4,9%**

Theatre operations

In the 4th quarter 2012, theatre operations generated €73.8 million revenue, (+ 17.6% yoy). EBITDA from theatre operations was EUR 16.7 million (+17.4% yoy) and EBIT totalled EUR 8.9 million (+10.9% yoy), both excluding acquisition-related and reorganisation expenses incurred in 2011.

The number of cinema admissions in the 4th quarter 2012 went up by 11% to 10.5 million compared to the 4th quarter 2011, and same-theatre admissions grew by 4.2% to 9.8 million. Average ticket price increased by 6% yoy.

In 2012 the Company's theatre operations generated revenue of EUR 253.3 million, (+3.9% yoy). EBITDA from theatre operations increased by 6.8% to EUR 54.2 million compared to 2011 and EBIT was up by 0.2% to EUR 26.6 million, both excluding acquisition-related and reorganisation expenses incurred in 2011.

During 2012 Cinema City sold 36.3 million tickets which were 2.5% higher than 2011 and varied by territory from positive volumes in Hungary, Romania, Israel, Czech Republic and Bulgaria, through stable attendance in Slovakia and lower admission in Poland. Ticket sales in Poland were impacted by more modest Polish domestic production compared to a very good 2011 and together with the effect of the EURO Championship, which was held in Poland during June. On a same theatre basis, the Company sold 34.4 million tickets (-2.8% yoy). The average ticket price remained stable at EUR 4.56, while in local currencies the average ticket prices were higher in almost all countries of operation. Revenue per head went up by 4% to EUR 1.53 and at the same time in local currencies it went up in all territories except Slovakia.

Film distribution

Revenues generated by the Company's distribution division increased by 14.5% from EUR 21.8 million in 2011 to EUR 24.9 million in 2012 and EBITDA from this segment went up from EUR 2.0 million in 2011 to EUR 4.8 million in 2012. The main reason for the increase in the EBITDA was the increasing number of independent movies that the Company distributed during 2012 compared to 2011, which were recognized as intangible assets and subsequently amortised in accordance with IAS 38. Net performance of film distribution improved in all of the Company's territories during 2012 particularly in Poland.

In most of the Company's territories of operation Forum Film was the distributer of the most notable international titles during the 4th quarter of 2012, The Hobbit: An Unexpected Journey and Skyfall

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).

Real Estate operations

In 2012 real estate operations generated EUR 2.4 million revenue and EUR 1.1 million EBITDA mostly from rentals of space in the newly opened Yes Planet megaplex in Rishon Lezion, Israel as well as from part of the Polish own cinemas were the Company is renting space to other tenants. Acquisition of Israel Theatres Real Estate BV, closed on 19 December 2012, did not have material impact on the Company's results in 2012 except for the contribution from Ronson Europe NV in the amount of EUR 1.4 million which was accounted as investments in associate.

On December 19, 2012, the Company signed and closed an agreement with Israel Theatres Real Estate Holding B.V. (a subsidiary of Israel Theatres Ltd.) to acquire all of the shares in Israel Theatres Real Estate BV ('ITRE'). ITRE is a holding company which owns all of the shares in real estate development companies holding the following assets: Mall of Rousse and other plots of land in Bulgaria, an office building in Herzliya and 5 other properties in Israel and plots of land designated to develop the amusement park in Poland. In addition, ITRE is the economic beneficiary of a 32.11%-stake in the WSE listed Ronson Europe NV through a jointly controlled general partnership formed under Dutch law between its subsidiary, ITR 2012 B.V. and ITR Dori B.V.; the general partners jointly exercise the voting rights attached to 64.22% of the shares in Ronson Europe NV.

Bank Club Financing Agreement

Concurrently with the closing of the Transaction, the Company closed a new club bank financing agreement with three leading European banks, BZ WBK, HSBC and ING Bank, for a total EUR 210 million includes a EUR 70 million revolving credit line. During February 2013 an additional European leading bank, BNP Paribas, joined the new club bank financing group. The term of the facility is 6 years. The facilities may be used in EUR and PLN and have been secured mainly by pledges of shares in the Company's main subsidiaries, investment certificates and mortgages on its major real estate assets. The credit agreement provides for standard covenants including those relating to a pre-determined level of leverage (net leverage covenant) and margin. It also includes a change of control clause in case the Greidinger family's holdings in the Company decreases below 30% or another investor obtains control over the Company.

The new club financing agreement is being used by the Company to finance the Transaction, to refinance all other Group credit facilities (including the debt of the acquired business) and for other general corporate purposes.

The only other group financing that remains in place following the new club financing is a local Israeli financing of approximately EUR 40 million.

Plans and outlook for 2013

In 2013 we are expecting a promising line-up of international films with two parts of the Hobbit movie, in the first and fourth quarter, subsequent instalments of successful series like: *Hangover 3, Hunger Games 2, Die Hard 5, Independence Day2*, new animation stories like *Planes, Frozen, Monsters University, Epic, The Croods* and many new standalone titles. The Polish domestic film production appears to be much more eventful topped by the *Wałęsa* movie followed by many other stories like: *Bejbi Blues, Sęp, Drogówka, Syberiada Polska, Last Minute, Być jak Kazimierz Deyna, Dzień Kobiet, Ambassada, W imię …, Powstanie '44…* and others. The Company also believes that the lack of big sport events in 2013, like Olympic Games and football championships, should have some positive impact on its theatre operations compared to 2012.

In 2013, the Company expects to add 30 to 40 screens to its theatre chain. The first opening for 2013 is scheduled in the end of March, when the Company plans to open its second multiplex in Sofia, Bulgaria, in the Paradise Shopping Mall. This cinema will have 14 screens and will offer both 3D and 4DX projection. The 4DX auditorium will be the Company's second 4DX screen following the Company's successful deployment in Rishon Lezion, Israel last summer. Additional screens are slated to open closer to the end of the year, but it is still too early to identify specific sites and dates.

In addition to opening new cinemas, the Company will continue deploying the 4DX system in its leading multiplexes across the CEE region. Such openings will include screens in Warsaw, Budapest and Prague, which are all expected to debut before the middle of the year.

The Company continues signing lease agreements for selected locations. Recently the Company signed two new lease agreements in Israel, in Zichron Ya'akov (11 screens) and Beer Sheva (18 screens), where Cinema City signed leased agreements in past quarters. These cinemas should open in 2014/2015. The Company has also started works for its new own real estate cinema development in Israel, in Jerusalem. The new megaplex is being developed on the plot, leased by the Company and it is planned to open in 2015.

The Company believes that operating and financial results in 2013 will be positively impacted by the cinemas opened in 2012 especially by Yes Planet in Rishon Lezion, Israel offering 24 screens with IMAX and 4DX auditoriums. Other cinemas opened in Romania, Bulgaria and Czech Republic will also contribute to Cinema City's overall results. In 2013 Cinema City should benefit more from revenue based on *virtual print fee* formula, what should allow to reduce operating costs of the Company.

The Company continues analysing entries to new geographies, mostly through potential acquisitions in Western and Northern Europe, development of the Company cinema chain remains the priority for management of Cinema City.

Cinema City International *is the largest multiplex cinema operator in Central & Eastern Europe and in Israel. The Company operates* ***98 multiplexes*** *with* ***952 screens****, in 7 countries (Poland, the Czech Republic, Hungary, Romania, Bulgaria, Slovakia and Israel). There are 31 more multiplexes under* *development, which will offer approximately 340 new screens. In addition, Cinema City is actively involved in cinema related advertising and film distribution activities.*

The Cinema City group employs over 4,000 people in 7 countries.

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