

# Cinema City International N.V. Shareholders' Circular



## Introduction

This document is prepared under article 35.5 of the Articles of Association of Cinema City International N.V. (the "AoA") with its corporate seat in Amsterdam, the Netherlands (the "Company") and contains the draft resolutions to be adopted by the General Meeting of Shareholders ("GM") at the occasion of the Annual General Meeting of Shareholders, to be held on June 25, 2007 in Rotterdam at Weena 210-212, 3012 NJ Rotterdam, at 3 pm ("AGM"), as well as the explanatory notes thereto. This document must be read in conjunction with the AoA and the Annual Report for 2006 as published by the Company and made available to all shareholders (the "Annual Report 2006").

This document and the documents it refers to are available for all shareholders via the Company's website ([www.cinemacity.nl](http://www.cinemacity.nl)) and are also available for shareholders' inspection at the Company's offices in the Netherlands in Rotterdam at Weena 210-212, 3012 NJ Rotterdam and at the Company's offices in Poland in Warsaw at 37 Fosa Str.

## Agenda

For the AGM the following agenda is adopted on the basis of article 35.4 by the management board and the supervisory board in accordance with article 33.2 of the AoA as follows:

1. Opening of the General Meeting.
2. Discussion on the annual report for the financial year 2006, including the managing directors' report
3. Adoption of the annual accounts for the financial year 2006
4. Discussion on the policy on additions to the reserves and dividends
5. Appropriation of the net profit for the financial year 2006
6. Discharge from liability ("*décharge*") of the members of the Management Board for their management tasks during the financial year 2006
7. Discharge from liability ("*décharge*") of the members of the Supervisory Board for their supervisory tasks during the financial year 2006
8. Approval of the Corporate Governance policy as set out in the Annual Report for the financial year 2006
9. Appointment of the Company's external auditor for the financial year 2007
10. Approval of the Company's Share Buy-back Programme and authorization of the Management Board to take all the actions in connection with the purchase of shares in the Company's own capital for the purpose of realization of the 2006 Long Term Incentive Plan.
11. Any other business
12. Closing of the General Meeting.

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### **Proposed Resolutions**

With a view to agenda items 3, 5, 6, 7, 8, 9 and 10 the following resolutions are proposed by the Board of Managing Directors and the Supervisory Board. Both Boards unanimously recommend that the GM adopt these resolutions.

After each resolution a short explanation is given for consideration by the GM before voting on the adoption of the resolutions. The main agenda item for the GM is the adoption of the annual accounts of the Company for financial year 2006. Most of the other agenda items are closely related to the adoption of the annual accounts.

For the relevant facts and circumstances to be considered by the GM reference is made to the Annual Report 2006. Shareholders are explicitly invited to take cognizance of the Annual Report 2006. In addition, Shareholders are also invited to consider the AoA, in particular as to the provisions governing the GM and the preparation and adoption of the annual accounts.

### ***Resolution for agenda item 3***

To adopt the annual accounts of the Company for the financial year 2006 in accordance with the accounts included in the Annual Report 2006.

### **Explanation**

For the relevant facts and circumstances for this resolution reference is made to the Annual Report 2006. The accounts are audited and approved by KPMG Accountants N.V. The GM is authorized to adopt the annual accounts on the basis of article 30.4 of the AoA.

### ***Resolution for agenda item 5***

To acknowledge the decision by the Board of Managing Directors to add the net profit of the Company for financial year 2006 in the amount of EUR 11,738,000 to the retained earning and to resolve to declare a dividend at nil for the financial year 2006 in accordance with the proposal of the Board of Managing Directors included in the Annual Report 2006.

### **Explanation**

For the relevant facts and circumstances for this resolution reference is made to the Annual Report 2006. The Board of Managing Directors is authorized under article 32.1 of the AoA to determine which portion of the profits shall be reserved. The GM is authorized to determine the dividend on the basis of article 32.5 of the AoA upon a proposal by the Board of Managing Directors, approved by the Supervisory Board, which approval was granted on 29 March 2007.

### ***Resolution for agenda item 6***

To grant discharge from liability ("*décharge*") to the members of the Board of Managing Directors for their management tasks during the financial year 2006.

### **Explanation**

This agenda item is an annually recurring item, scheduled on the basis of article 33.2 of the AoA and in accordance with Dutch law. For the relevant facts and circumstances for this resolution reference is made to the Annual Report 2006. The GM is authorized to resolve regarding discharge. Discharge

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does not extend to facts and circumstances that are not disclosed to or not otherwise reasonably known by the GM.

### ***Resolution for agenda item 7***

To grant discharge from liability (“*décharge*”) to the members of the Supervisory Board for their supervision during the financial year 2006.

#### *Explanation*

This agenda item is an annually recurring item, scheduled on the basis of article 33.2 of the AoA. For the relevant facts and circumstances for this resolution reference is made to the Annual Report 2006. The GM is authorized to resolve regarding discharge.

### ***Resolution for agenda item 8***

To approve the Corporate Governance policy as set out in the Annual Report for the financial year 2006

#### *Explanation*

For the relevant facts and circumstances for this resolution reference is made to the Annual Report 2006. The policy of the Company is to schedule this subject each year for discussion with the Shareholders. The GM is authorized to approve the Company's Corporate Governance policy.

### ***Resolution for agenda item 9***

To appoint KPMG Accountants NV as the Company's external auditor for the financial year 2007.

#### *Explanation*

The GM is authorized to appoint the auditor on the basis of article 29.1 of the AoA. Under Dutch law, appointment of an auditor is mandatory for the Company. If the GM would fail to appoint an auditor the Board of Managing Directors and the Supervisory Board are obliged and authorized to do so. It is the Company's policy to schedule the appointment of the auditor each year for the AGM. The Supervisory Board upon the recommendation of the Audit Committee, having consulted the Board of Managing Directors and having conducted a thorough assessment of the functioning of external auditing within the Company, selected and recommends that KPMG Accountants NV be appointed by the GM as the Company's external auditor for the financial year 2007. The Supervisory Board and the Board of Managing Directors believe that KPMG Accountants NV is sufficiently experienced and duly skilled to act as the Company's external auditor, has no conflict of interest with the Company that could affect the performance of its functions as the Company's external auditor and its appointment will ensure the independent auditing of the Company's annual accounts and review of other financial information.

### ***Resolution for agenda item 10***

1. to authorize the Board of Managing Directors for 18 months effective from the date of this resolution, subject to the Supervisory Board's approval, to purchase for consideration the fully paid-up shares in the Company's share capital which are officially listed on a regulated market for the purpose of meeting the Company's obligations arising under the Company's 2006 Long Term Incentive Plan on terms and

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- conditions set down in this resolution (the "Share Buy-back Program"), to alienate shares in the Company's share capital, and to take all the actions necessary to that effect and realization of the Share Buy-back program;
2. to determine that the Company may buy back shares in its own share capital within the Share Buy-back Program on the following terms and conditions:
    - (a) maximum number of shares to be purchased shall be 930,000;
    - (b) maximum number of shares to be purchased shall be reduced by the number of new shares issued by the Company for the purpose of realization of the 2006 Long Term Incentive Plan;
    - (c) total maximum consideration for the realization of the Share Buy-back Program shall be up to EUR 3,000,000;
    - (d) authorization granted to the Board of Managing Directors shall be for 18 months effective from the date of this resolution, not longer, however, than until the moment of the utilization of the funds of the funds referred to in point 2 (c) designated for the purpose of the realization of the Share Buy-back Program. The commencement date and the ending date of the buy back of the Company's shares shall be set by the Board of the Managing Directors and information thereon shall be made available to the public in accordance with applicable regulations;
    - (e) the price to be paid for shares shall be not lower than the nominal value of the Company's shares (minimum consideration) and not higher than 110% of the average market price of the shares traded on the Warsaw Stock Exchange calculated for 5 trading sessions immediately preceding the acquisition of shares (maximum consideration). Under extraordinary circumstances the Company's Board of Managing Directors, upon the approval of the Company's Supervisory Board, may resolve to change the maximum consideration to be paid for one share.
    - (f) shares may be purchased on a regulated stock exchange on which they are listed or on any trading venue, if allowed by applicable regulations;
  3. to authorize the Board of Managing Directors to set down detailed terms and conditions of the Share Buy-back Program, subject to the Supervisory Board's approval, and effect the buy back of shares in the Company's own capital in compliance with this resolution and applicable laws, including, in particular, the Commission Regulation (EC) No 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programmes and stabilization of financial instruments;
  4. to impose on the Board of Managing Directors the obligation to disclose to the public full details of the Share Buy-back Program prior to the commencement of trading in own shares within the framework of the Share Buy-back Program and fulfill all reporting obligations arising from and in connection with the implementation of the Share Buy-back Program in compliance with applicable regulations;
  5. to authorize the Board of Managing Directors, when acting to the best interest of the Company and subject to the Supervisory Board's approval:
    - (a) to end the Share Buy-back Program before the 18-month period referred to hereinabove; or
    - (b) to withdraw at any time from the implementation of the Share Buy-Back Program.

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## Explanation

As described in the Annual Report 2006 and in the Company's prospectus approved by the Netherlands Authority for the Financial Markets on November 17, 2006, in connection with the public offering of the Company's shares on its basis, the Company approved and has been implementing the 2006 Long Term Incentive Plan – the employee stock incentive plan comprising of a maximum of 930,000 incentive shares consisting of newly issued and/or repurchased Shares for managing directors, members of management and employees of the Company and its subsidiaries. The Supervisory Board is authorized to determine, with the participation of at least one independent member of the Supervisory Board, the exact terms of any stock or stock-based incentive scheme. On the basis of the 2006 Long term Incentive Plan the eligible participants were granted rights to the Company's shares (share options). Upon the exercise of his/her rights to shares (share options) the eligible participant of the 2006 Long Term Incentive Plan is entitled to receive the Company's shares. Options granted shall vest over three years after the date of the grant: one third vesting after one year, one third vesting after two years and one third vesting after three year. The options may have a contractual option term of maximum ten years, as determined by the Supervisory Board. In the case of options that were already granted the Supervisory Board determined that options had contractual term of four years after the date of the grant. The first share options granted to eligible participants of 2006 Long Term Incentive Plan will vest on 6 December 2007.

To meet obligations arising under the 2006 Long Term Incentive Plan the Company may issue new shares in its authorized capital or repurchase existing shares within the Share Buy-back Program. This authorization is required in order to allow the Company to meet its obligation arising from the 2006 Long Term Incentive Plan. The Board of Managing Directors shall be authorized to buy back the Company's shares with a view to their transferring to eligible participants of the 2006 Long Term Incentive Plan upon the exercise of share options.. In accordance with applicable regulations, in particular the Commission Regulation (EC) No 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back program and stabilization of financial instruments, the respective authorization shall be granted, and the general terms and conditions governing the share buy-back program shall be determined, by the GM.

The GM is authorized to mandate the Board of Managing Directors to buy back shares under article 9.3 of the AoA for a maximum period of 18 months. It is the Company's policy to schedule this subject for reconfirmation each year the 2006 Long Term Incentive Plan is carried out. The adoption of this resolution will ensure the Company the high level of flexibility when deciding whether to issue new shares or to repurchase existing shares with a view to their transferring to eligible participants of the 2006 Long Term Incentive Plan.

Rotterdam, 7 June 2007

Management Board

Supervisory Board

*This document is of informative nature only and gives the facts and circumstances which, in the Company's beliefs, are relevant to the approvals, authorizations or delegations to be granted by the GM. Shareholders are kindly asked to read and consider carefully all the information made available by the Company, including the Annual Report 2006 and the Company's annual accounts. The Board of Managing Directors and the Supervisory Board reserve the right to change the proposed content of draft resolutions. If such is the case, the respective information together with a new wording of draft resolutions will be made available to the public.*