

**Cinema City International N.V.**

**Interim Financial Report**

**For the six months ended**

**30 June 2010**

**Interim Financial Report for the six months ended 30 June 2010**

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## **DIRECTORS' REPORT**

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### **General**

#### **Introduction**

Cinema City International N.V. (the "Company"), incorporated in the Netherlands, is a subsidiary of I.T. International Theatres Ltd. ("ITIT" or "parent company"). The Company (together with its subsidiaries, the "Group") is principally engaged in the operation of entertainment activities in various countries including: Poland, Hungary, Czech Republic, Romania, Bulgaria and Israel. The Company, through related entities, has been a family operated theatre business since 1929. The Company shares are traded on the Warsaw Stock Exchange. As of 18 August 2010, the market share price was PLN 42.0 (EUR 10.59), giving the Company a market capitalisation of EUR 542.4 million. The Company's office is located in Rotterdam, the Netherlands.

#### **Highlights during the six months ended 30 June 2010**

During the six months ended 30 June 2010, the Company continued to deliver healthy results, with revenues, EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortisation) and net income all having increased in comparison to the first six months of the prior year (which itself was also a strong half year). Consolidated EBITDA increased from EUR 24.8 million for the six months ended 30 June 2009 to EUR 31.3 million for the six months ended 30 June 2010. Net income attributable to equity holders of the Company increased from EUR 13.8 million for the six months ended 30 June 2009 to EUR 17.5 million for the six months ended 30 June 2010.

The strong results were driven by a record half year for the Company's movie theatre operations, which in itself was driven by a particularly strong first quarter, as previously reported. Tickets sales for the six months ended 30 June 2010 grew by 23.5% compared to the same period in 2009, while "same store" ticket sales grew by 9.9% over the same period last year. Revenue for the six months ended 30 June 2010 generated by movie theatre operations increased by 45.4% in comparison to the six months ended 30 June 2009, also supported by higher average ticket prices, due in large part to a higher percentage of 3-D movie tickets sold.

The results for the six months ended 30 June 2010 are even more notable given that the results for the six months ended 30 June 2009 included a gross profit of EUR 10.1 million from the sale of the Mall of Plovdiv in Bulgaria towards the end of March 2009 compared to a gross profit of EUR 3.1 million from the previously reported sale of the Company's interests in its Bulgarian real estate development activities to Israel Theatres Ltd. during the second quarter of 2010.

The results for the six months ended 30 June 2010 were also positively impacted by an increase in the value of the Central and Eastern European local currencies against the euro. During the six months ended 30 June 2010, these currencies regained a portion of the devaluation against the euro that was recorded during 2009.

## **DIRECTORS' REPORT**

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### *Theatre operations*

The Company's strong theatre operations during the six months ended 30 June 2010 were supported by a very well received supply of international movies. Ticket sales and same store revenues grew in most territories. The international blockbuster *Avatar*, which was released toward the end of 2009, was the predominant movie of the first six months of the year (though it had its primary impact during the first quarter of 2010). This movie, which has gone on to become the largest grossing movie of all time, generated very high ticket sales in all of our territories. The *Avatar* success was quickly followed in the first quarter of 2010 by another blockbuster release, *Alice in Wonderland*. The premium priced 3-D version of these two movies was the most popular format and accounted for the majority of tickets sold, which had a significant impact on our revenues during the first half of 2010. The second quarter of this year continued to show strong theatre operations results, with movies including *Prince of Persia*, *Toy Story 3* and *Clash of the Titans* all delivering solid results, even if at a moderately slower pace than during the *Avatar* and *Alice in Wonderland* juggernauts of the first quarter of the year.

The new screens which the Company opened during 2009, including three major projects in Budapest Hungary, Bucharest Romania and Krakow Poland opened during the fourth quarter, had their first full six months of operations during the six months ended 30 June 2010, which contributed to the increase in the positive results of the Company's theatre operations, both in terms of number of admissions and EBITDA.

Since the beginning of 2010, the Company closed a multiplex with 4 screens in Beer-Sheva, Israel. During the second quarter of 2010, the Company opened a 15 screen multiplex in Bucharest, Romania and reopened a 4 screen multiplex in Tel Aviv, Israel that was under renovation (with 6 screens before it was renovated).

The Company's total screen count as at 30 June 2010, following the net additions from the above openings and closing, is 677 (including 9 IMAX<sup>®</sup> theatres).

### *Digital Projection*

The Company continues to install state-of-the-art digital projectors, both in its new projects and in many of the Company's existing theatres. In each theatre, the Company is installing between 1 to 5 such projectors. Currently, the Company has installed over 180 digital projectors, and intends to install approximately 50 more of these projectors in its leading multiplexes through the end of 2010. The digital projectors, which represent the most important technological advance in movie viewing since the 1950s, provide a higher quality and a sharper resolution viewing experience than traditional projectors, and the ability to display a new generation of 3-D movies.

The record breaking success of *Avatar*, *Alice in Wonderland* and other 3-D movies since the end of 2009 appears to have validated the long-term value proposition associated with digital projection. 3-D movies continue to generate disproportionate demand (especially when compared to the traditional 2-D versions of the same movie) and have permitted theatre operators around the world, including the Company, to capture premium ticket pricing for these movies. Moreover, the fact that the Company has been ahead of its competition in many markets in installing digital projectors has thus far allowed the Company to take market share away from its competitors as the Company's 3-D movies have thus been far more successful than any comparable non-digital movie.

The Company believes that in the long term, digital technology can also generate higher attendance through 3-D films and alternative content (such as operas, ballet, leading worldwide concerts and sporting events),

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while helping to reduce cinema labor costs as digital projectors require less ongoing manpower than traditional reel-to-reel projectors.

### *Sale of real estate*

In April 2010, the Company signed and closed an agreement with Israel Theatres Real Estate Holding B.V. and Pan-Europe Finance B.V. (both subsidiaries of the parent company) to sell all of the Company's Bulgarian real estate development activities and assets for EUR 91.2 million. The valuation of the assets was conducted by an independent international valuator and the evaluation of the details of the agreements was conducted by a special independent committee of the Supervisory Board of the Company, which separately voted on and approved the transaction.

An initial payment of EUR 76.2 million was made to the Company at the closing of the transaction. Under the terms of the sale, the remaining EUR 15.0 million will be paid on the earlier of 9 months following the opening of the Russe mall (one of the two development projects sold in the transaction) and October 2011. In addition, the Company will be entitled to receive a percentage of any gains realised by Israel Theatres from the sale of any of the Bulgarian assets purchased from the Company until the end of 2014.

The proceeds from the sale were used in large part to repay the Company's bank debt, thereby substantially reducing the Company's long term indebtedness. The Company intends to use the excess cash and freed up leverage to fund further expansion of the Company's movie theatre activities, both in its current region of operation and, potentially, into new geographies.

The Company realised a gross profit amounting to EUR 3.1 million from the Bulgarian real estate sale during the six months ended 30 June 2010, compared to EUR 10.1 million from similar sale transaction during the six months ended 30 June 2009.

### *Film distribution activities*

Revenue generated by the Company's distribution division increased during the six months ended 30 June 2010, compared to the six months ended 30 June 2009, with EBITDA moving from negative to positive. This growth was driven mainly by the successful release of Disney's "Alice in Wonderland" and several other successful Disney movies. The company started a movie distribution activity in Romania ( January 2010 ) in which it also serves as exclusive sub Licensee of Walt Disney Motion Pictures International Distribution, same as in the other 4 countries the company is active in Distribution.

### *DVD rental and sale activities*

During the fourth quarter of 2009, the Company decided to close its DVD distribution operations both in Hungary and in the Czech Republic due to ongoing poor performance of this very small business line and uncertain future prospects. The decision to close these operations was further influenced by the determination by one of the studios, which the Company represented in this line, not to renew its DVD distribution agreement with the Company.

## DIRECTORS' REPORT

### Overview of results

The Company's net income attributable to equity of the parent company for the six months ended 30 June 2010 was EUR 17.5 million and can be summarised as follows:

	For the six months ended 30 June	
	2010	2009 <sup>1</sup>
	EUR	
	(thousands, except per share data)	
<b>Continuing operations<sup>2</sup></b>		
Revenues from cinema related operations	116,394	80,361
Costs from cinema related operations	81,644	59,988
<b>Gross result from cinema related operations</b>	<b>34,750</b>	<b>20,373</b>
Revenues from the sale of real estate	91,212	23,028
Cost of real estate sold	88,125	12,962
<b>Gross result from sale of real estate</b>	<b>3,087</b>	<b>10,066</b>
<b>Total gross result</b>	<b>37,837</b>	<b>30,439</b>
General and administrative expenses	6,504	5,615
<b>EBITDA<sup>3</sup></b>	<b>31,333</b>	<b>24,824</b>
Depreciation and amortisation	9,611	7,612
<b>Operating profit</b>	<b>21,722</b>	<b>17,212</b>
Financial income	400	416
Financial expenses	(2,355)	(1,970)
(Loss)/gain on disposals and write-off of other investments	(20)	11
<b>Operating income before taxation</b>	<b>19,747</b>	<b>15,669</b>
Income taxes	(2,352)	(1,491)
<b>Net income from continuing operations</b>	<b>17,395</b>	<b>14,178</b>
Loss from discontinued operations	(69)	(643)
<b>Net income before minority interests</b>	<b>17,326</b>	<b>13,535</b>
Non controlling interests	207	313
<b>Net income attributable to equity holders of the company</b>	<b>17,533</b>	<b>13,848</b>
Weighted average number of equivalent shares (basic)	50,949,367	50,834,000
Weighted average number of equivalent shares (diluted)	51,000,326	50,834,000
<b>Net earnings per ordinary share of EUR 0.01 each (basic and diluted)</b>	<b>0.34</b>	<b>0.27</b>

<sup>1</sup> Reclassified to show the discontinued DVD distribution business separately from the continuing operation.

<sup>2</sup> In order to allow the reader to more easily compare these six-month results to last year's six-month results, revenues (and corresponding costs and gross results) are presented into two main categories: (a) revenues, costs and gross results from cinema related operations and (b) revenues, costs and gross results from the sale of real estate. This presentation format should allow for a better understanding of the Company's core operating results with and without the significant additional revenues that were generated from the sale of the Company's Bulgarian real estate assets during the reporting period. The revenues from the sale of real estate, the associated costs and gross results are therefore presented on separate lines, whereby for comparison purposes the amounts relating to the six months ended 30 June 2009 have been presented accordingly.

<sup>3</sup> Earnings before Interest, Taxation, Depreciation and Amortisation. Under this definition, gains and losses on disposals and write-offs of other assets as well as currency exchange results are also not included in EBITDA

## **DIRECTORS' REPORT**

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### **Revenues**

Total revenues from cinema related operations increased by 44.8% from EUR 80.4 million during the six months ended 30 June 2009 to EUR 116.4 million during the six months ended 30 June 2010.

Theatre operating revenues increased by 45.4% from EUR 73.1 million during the six months ended 30 June 2009 to EUR 106.3 million during the six months ended 30 June 2010. The increase in theatre revenues mainly resulted from an increase in the number of admissions, driven by the contribution of new cinemas opened in 2009, a strong supply of movies and the increase in sales of tickets for films with 3-D technology, which generates a higher price for admission.

Distribution operating revenues increase by 56.4% from EUR 5.8 million during the six months ended 30 June 2009 to EUR 9.1 million during the six months ended 30 June 2010. The increase resulted mainly due to a successful half year for the Company's Polish film distribution activities, the opening of a new distribution division in Romania and the increase in the Company's Israeli film distribution activities.

Other revenues, decreased from EUR 1.4 million during the six months ended 30 June 2009 to EUR 1.0 million during the six months ended 30 June 2010.

Total revenues from the sale of real estate increased by 296.1% from EUR 23.0 million during the six months ended 30 June 2009 to EUR 91.2 million during the six months ended 30 June 2010. The significant increase in revenues for the first half of 2010 is primarily attributable to the sale of the Company's Bulgarian real estate to Israel Theatres, Ltd.

### **Operating costs**

Operating costs, from cinema related operations, excluding depreciation and amortization, increased by 36.1% from EUR 60.0 million during the six months ended 30 June 2009 to EUR 81.6 million during the six months ended 30 June 2010. This net increase resulted primarily from the total effects of:

- an increase in theatre operating expenses primarily explained by the increase in theatre revenues as described above. The theatre operating expenses, excluding depreciation and amortisation, as a percentage of total theatre revenue decreased to 68.7% for the six month ended 30 June 2010, from 74.0% for the six month ended 30 June 2009;
- an increase in distribution operating expenses as a result of the increase in revenues as described above. Distribution operating expenses, excluding depreciation and amortisation, as a percentage of total distribution revenue decreased to 91.4% for the six months ended 30 June 2010, from 97.1% for the six months ended 30 June 2009;

Costs relating to real estate sold, increased from EUR 13.0 million for the six months ended 30 June 2009 to 88.1 million for the six month ended 30 June 2010. The significant increase is primarily attributable to the cost of the Company's Bulgarian real estate assets sold to Israel Theatres, Ltd. during the six months ended 30 June 2010.

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### **General and administrative expenses**

General and administrative expenses increased by 15.8% from EUR 5.6 million for the six months ended 30 June 2009 to EUR 6.5 million during the six months ended 30 June 2010. The increase was mainly a result of the increase in the management bonus accrual due to the increase in pre-tax profits, and the increase in the Company's business activities (and thereby operating costs) in Romania.

### **EBITDA**

As a result of the factors described above, the earnings before interest tax, depreciation and amortisation (EBITDA) increased by 26.2%, from EUR 24.8 million for the six months ended 30 June 2009 to EUR 31.3 million for the six months ended 30 June 2010.

### **Depreciation and amortisation**

Depreciation and amortisation expenses increased by 26.3% from EUR 7.6 million for the six months ended 30 June 2009 to EUR 9.6 million for the six months ended 30 June 2010. This increase in depreciation is explained mainly by the depreciation of newly opened theatres during 2009, mainly in Poland and Romania, and by the strengthening of local currencies in the countries of operations compared to the euro.

### **Operating profit**

As a result of the factors described above, the operating profit increased by 26.2% from EUR 17.2 million during the six months ended 30 June 2009 to EUR 21.7 million during the six months ended 30 June 2010.

### **Financial income/expenses**

The balance of financial income and expenses resulted in a net expense of EUR 2.0 million during the six months ended 30 June 2010 compared to a net expense of EUR 1.6 million during the six months ended 30 June 2009.

The increase is mainly explained by an increase in interest costs in Poland.

The proceeds from the April 2010 sale of the Bulgarian real estate activities that were used, in part, to repay outstanding bank indebtedness did not have a material effect on the overall financing expenses for the six months ended 30 June 2010, but is expected to have a more substantial contribution to the reduction of interest expenses during the second half of 2010.

### **Minority interest**

Minority interest for the six months ended 30 June 2010 and 30 June 2009 comprise the share of minority shareholders in losses from subsidiaries that are not 100% owned by the Company (EUR 0.2 million and EUR 0.3 million respectively).

### **Net income**

As a result of the factors described above, the Company net income attributable to equity holders of the parent company increased by 26.6% from EUR 13.8 million during the six months ended 30 June 2009 to EUR 17.5 million during the six months ended 30 June 2010.

## DIRECTORS' REPORT

### Selected financial data

PLN/EUR	Exchange rate of the euro versus the Polish zloty			
	Average exchange rate	Minimum exchange rate	Maximum exchange rate	Quarter end exchange rate
2010 (six months ended 30 June)	3.999	3.836	4.177	4.146
2009 (six months ended 30 June)	4.474	3.917	4.900	4.470

Source: National Bank of Poland ("NBP")

Selected financial data	EUR		PLN	
	(thousands, except per share data)			
	For the six months ended 30 June			
	2010	2009	2010	2009
Revenues from cinema related operations	116,394	80,361	465,460	359,535
Revenue from the sale of real estate	91,212	23,028	364,757	103,027
Operating profit	21,722	17,212	86,866	77,006
Operating income before taxation	19,747	15,669	78,968	70,103
Net income attributable to equity holders of the parent company	17,533	13,848	70,114	61,956
Cash flows from operating activities	27,790	20,267	111,132	90,675
Cash flows from/(used in) investment activities	35,710	(8,850)	142,804	(39,595)
Cash flows used in financing activities	(75,712)	(8,446)	(302,772)	(37,787)
(Decrease)/increase in cash and cash equivalents	(11,829)	2,649	(47,304)	11,852
Total assets	269,082	290,787	1,115,614	1,299,818
Provisions	6,554	6,112	27,173	27,321
Long-term liabilities (including provisions)	33,807	82,548	140,164	368,990
Current liabilities	36,326	46,307	150,608	206,992
Shareholders' equity	203,728	165,632	844,656	740,375
Share capital	512	508	2,123	2,271
Average number of equivalent shares	50,949,367	50,834,000	50,949,367	50,834,000
Average number of equivalent shares (diluted)	51,000,326	50,834,000	51,000,326	50,834,000
Net earnings per ordinary share (basic and diluted)	0.34	0.27	1.36	1.21

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 flow 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.

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### **Outlook for the remainder of 2010\***

The first half of 2010 has produced solid results for the Company, fuelled in large part by a steady stream of popular movies and the ongoing 3-D revolution in the industry. The second quarter results, while still impressive by historical standards, however, were predictably tempered a bit, as the industry moved beyond the *Avatar* phenomenon. Meanwhile, management believes that the movie pipeline for the remainder of the year remains positive, and should be supported by a number of promising movies, including several sequels with strong past performances, such as *Tangled 3D*, the first part of the latest instalment of the *Harry Potter* series, *Tron Legacy 3D*, *Megamind 3D*, *Chronicles of Narnia Part 3* and many others scheduled to be released in the second half of this year.

In the second half of 2010, the Company plans to open between 5 and 7 cinemas, including 2 cinemas in Bulgaria (in Stara Zagora and in Russe), 2 cinemas in Poland (in Walbrzych and Bytom) as well as 1 to 3 additional cinemas in Romania.

The Company continues to have binding commitments for an additional 41 sites (representing approximately 411 screens) including 28 sites with 264 screens in Romania, and is in advanced negotiations in respect of a further number of sites. However, because the mall opening dates are dependent on the mall developers and there is a continuing tendency in the Romanian 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 weakness in real estate development brought on by the past two years' worldwide financial and real estate crisis, during which period some of the real estate projects in which the Company's new theatres are to be located, were having difficulties in securing financing necessary to commence construction. This situation has thus far not improved even as the overall economic situation in the region has turned somewhat brighter.

In addition to the risk of delayed openings as described above, there is now an increased risk that the construction of some of the malls for which lease agreements have already been signed, will not commence or will not finish. 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 constructions in its new theatres until very close to the scheduled opening date, the failure to complete any particular mall project or even a number of projects, should not have a material negative impact on the Company's ongoing operations and results, since such failure would not pose a significant financial risk to the Company. 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.

Upon completion of the projects currently in the pipeline, Romania will become the Company's second largest country in terms of number of screens in operation, exceeded only by Poland. All of the planned Romanian theatres are located in shopping centers and will be leased.

While the Company's management currently believes that the existing trend of strong admissions will continue for the foreseeable future, supported in part by the higher ticket prices generated from 3-D movies, there can be no assurance that the Company will not be materially adversely impacted if the nascent worldwide economic recovery remains weak or is not sustained. Continued softness in consumer spending, even in light of a modest economic rebound, could result in an ongoing weakness in 'mall traffic', which has historically supported theatre admissions. In addition, if consumers continue to have considerably 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.

## DIRECTORS' REPORT

Management has noted, however, throughout years of economic distress, movie going often increases. Consumers desire to spend their smaller pools of discretionary funds on relatively inexpensive forms of 'escapist' entertainment such as movie going. The Company has seen very strong admissions trends through the date of this report and continues to see no evidence of any downturn in theatre visits resulting from external economic factors.

\*Certain statements contained in this half year report are not historical facts but rather statements of future. These forward-looking statements are based on our current plans, expectations and projections about future events. Any forward-looking statements speak only as of the date they are made and are subject to uncertainties, assumptions and risks that may cause the events to differ materially from those anticipated in any forward-looking statement. Such forward-looking statements include, without limitation, improvements in process and operations, new business opportunities, performance against Company's targets, new projects, future markets for the Company's products and other trend projections. For the avoidance of any doubts, this half year report does not contain any forecast about the Company's and its capital group's financial results.

### 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 19 August 2010	Increase/ (decrease)	As of 30 June 2010	Increase/ (decrease)	As of 31 December 2009
	Number of shares/ % of shares <sup>(1)</sup>	Number of shares	Number of shares/ % of shares <sup>(1)</sup>	Number of shares	Number of shares/ % of shares
I.T. International Theatres Ltd. <sup>(2)</sup>	32,709,996 / 63.89%	-	32,709,996 / 63.89%	-	32,709,996 / 64.35%
Aviva Otworthy Fundusz	5,415,647 /	(1,082,810)	6,498,457 /	-	6,498,457 /
Emerytalny Aviva BZ WBK <sup>(3)</sup>	10.58%		12.69%		12.78%
BZ WBK TFI SA <sup>(4)</sup>	2,661,049 /	-	2,661,049 /	-	2,661,049
	5.20%		5.20%		5.23%
BZ WBK AIB Asset Management S.A. <sup>(4)</sup>	n.a.	-	n.a.	-	2,542,345 / 5.00%
ING Nationale-Nederlanden	n.a.	-	n.a.	n.a.	2,700,000 /
Polska Otworthy Fundusz Emerytalny <sup>(5)</sup>					5.31%

(1) On 15 February 2010 and on 11 May 2010, the Company issued 25,000 and 341,000 new ordinary shares, respectively to facilitate the exercise of share options as part of the Company's long term incentive plan. The number of shares issued and outstanding therefore increased to 50,859,000 as of 15 February 2010 and to 51,200,000 as of 11 May 2010.

(2) In addition, Israel Theatres Ltd., the shareholder who holds 100% of I.T. International Theatres Ltd., holds additional 104,988 shares in Cinema City International N.V. (representing 0.2% of the shares). On 26 April 2010, I.T. International Theatres temporary reduced 341 000 shares to facilitate share options exercised under the Company's long term incentive plan. The legal title to the same number of shares (i.e. 341,000 newly issued shares) has been transferred by the optionees to I.T. International Theatres Ltd. upon share issuance by the Company under the long term incentive plan. As a result, the number of shares held by I.T. International Theatres has effectively remained the same as before this transaction. As mentioned above, on 11 May 2010, the Company issued 341,000 new ordinary shares to facilitate the exercise of share options as part of the Company's long term incentive plan.

(3) On 11 August 2010 the Company was notified by the shareholder that the number of shares held in the Company had decreased by more than 2%. The Company has no information on the exact dates when the particular transactions were made on the Warsaw Stock exchange. However, the table above presents the ultimate holding of the shareholder as at 19 August 2010, to the extent known to the Company.

(4) BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A., with its registered office in Poznań has engaged BZ WBK AIB Asset Management S.A. to manage the investment funds until now managed by the BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. ('Funds').

(5) On 26 March 2010, the Company was notified by the shareholder that the number of shares held in the Company went down to below 5%.

## DIRECTORS' REPORT

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### Additional information to the report (cont'd)

#### *Changes in ownership of shares and rights to shares by Management Board members in the six months ended 30 June 2010 until the date of publication of the report*

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

	As of 19 August 2010	Increase/ (decrease)	As of 30 June 2010	Increase/ (decrease)	As of 31 December 2009
	Number of shares/ % of shares	Number of shares	Number of shares/ % of shares	Number of shares	Number of shares/ % of shares
<b>Moshe Greidinger*</b>	11,603,379 / 22.66%	-	11,603,379 / 22.66%	-	11,603,379 / 22.83%
<b>Amos Weltsch</b>	None	-	None	-	None
<b>Israel Greidinger*</b>	11,603,379 / 22.66%	-	11,603,379 / 22.66%	-	11,603,379 / 22.83%

\* The shares held by Messrs Moshe and Israel Greidinger are held indirectly through I.T. International Theatres Ltd. On 26 April 2010 I.T. International Theatres Ltd temporary reduced 341,000 shares to facilitate the realisation of the Company's long term incentive plan. The legal title to the same number of shares (i.e. 341,000 newly issued shares) has been transferred by the optionees to I.T. International Theatres Ltd. upon share issuance by the Company under the long term incentive plan. As a result, the number of shares held by I.T. International Theatres Ltd has effectively remained the same as before this transaction. On 11 May 2010, the Company issued 341,000 new ordinary shares to facilitate the exercise of share options as part of the Company's long term incentive plan.

#### *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 2009 until 19 August 2010.

#### *Changes in ownership of shares and rights to shares by Supervisory Board members in the six months ended 30 June 2010 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 2009 until 19 August 2010.

#### *Changes in the composition of the Supervisory Board and Management Board*

None

#### *Representation concerning financial statements and Directors' report*

The Management Board hereby declares that, to the best of their knowledge, the condensed consolidated interim financial statements as of 30 June 2010, which have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole, and that the Directors' report includes a fair review of the information required pursuant to section 5:25d subsections 8 and 9 of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*).

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### **Additional information to the report (cont'd)**

#### *Other*

As of 30 June 2010, the Group has issued guarantees for loans that in total amount to EUR 12.0 million and Polish zloty 188.5 (EUR 45.3) million in connection with loans provided to subsidiaries.

As of 30 June 2010, the Group has no litigations for claims or liabilities that in total exceed 10% of the Group's equity.

The following net movements in the Group's main provisions took place during the six months ended 30 June 2010 :

- a decrease in the provision for deferred tax liabilities of EUR 160,000 (a decrease of EUR 462,000 during the 3 months ended 30 June 2010);
- an increase in the provision for accrued employee retirement rights of EUR 64,000 (an increase of EUR 12,000 during the 3 months ended 30 June 2010);
- a decrease in the provision related to onerous lease contracts of EUR 349,000 (no movement during the 3 months ended 30 June 2010).

### **The Management Board**

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Moshe J. (Mooky) Greidinger  
President of the board  
General Director

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Amos Weltsch  
Management board  
Operational Director

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Israel Greidinger  
Management board  
Financial Director

**Rotterdam, 19 August 2010**

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2010 (Unaudited)	31 December 2009 (Audited)	30 June 2009 (Unaudited)
<b>EUR (thousands)</b>				
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Intangible assets		997	1,020	1,096
Property and equipment	13	208,390	201,781	177,484
Deferred tax asset		1,939	2,493	1,069
Investment properties	14	-	42,281	31,889
Foreign currency exchange contracts	8	30	78	676
Other long-term receivables		-	-	747
<b>Total non-current assets</b>		<b>211,356</b>	<b>247,653</b>	<b>212,961</b>
<b>CURRENT ASSETS</b>				
Inventories		4,407	5,082	5,733
Receivables				
Trade accounts receivable		11,782	15,553	9,697
Receivable from related parties	15	15,222	427	298
Income taxes receivable		436	258	400
Other accounts receivable and prepaid expenses		13,282	18,497	15,711
<b>Total receivables</b>		<b>40,722</b>	<b>34,735</b>	<b>26,106</b>
Financial assets				
Foreign currency exchange contracts	8	1,519	1,496	2,461
Marketable securities		164	169	1,367
Assets classified as held for sale	15	-	37,924	27,398
<b>Total financial assets</b>		<b>1,683</b>	<b>39,589</b>	<b>31,226</b>
Liquid funds				
Cash and cash equivalents		10,588	22,417	14,429
Short-term bank deposits - collateralised		326	210	332
<b>Total liquid funds</b>		<b>10,914</b>	<b>22,627</b>	<b>14,761</b>
<b>Total current assets</b>		<b>57,726</b>	<b>102,033</b>	<b>77,826</b>
<b>TOTAL ASSETS</b>		<b>269,082</b>	<b>349,686</b>	<b>290,787</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2010 (Unaudited)	31 December 2009 (Audited)	30 June 2009 (Unaudited)
<u>EUR (thousands)</u>				
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	9	512	508	508
Share premium reserve		92,144	90,377	90,377
Accumulated currency translation adjustment		(3,801)	(4,417)	(13,032)
Hedge reserve		1,255	1,274	2,374
Retained earnings		113,618	96,054	85,405
<b>Total equity attributable to equity holders of the Company</b>		<b>203,728</b>	183,796	165,632
<b>Non-controlling interest</b>		<b>(4,779)</b>	(3,987)	(3,700)
<b>Total equity</b>		<b>198,949</b>	179,809	161,932
<b>LONG-TERM LIABILITIES</b>				
Long-term loans, net of current portion	16	22,472	93,620	72,515
Accrued employee retirement rights, net		651	587	276
Deferred tax liabilities		5,903	6,063	4,683
Provision related to onerous lease contracts		-	349	1,153
Financial lease		1,550	1,228	1,302
Other long-term liabilities		3,231	3,794	2,619
<b>Total long-term liabilities</b>		<b>33,807</b>	105,641	82,548
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	16	8,634	12,545	17,539
Trade accounts payable		9,779	12,655	9,898
Payable to related parties		162	137	523
Employee and payroll accruals		2,033	1,879	1,786
Other accounts payable		15,718	37,020	16,561
<b>Total current liabilities</b>		<b>36,326</b>	64,236	46,307
<b>Total liabilities</b>		<b>70,133</b>	169,877	128,855
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>269,082</b>	349,686	290,787

## CONSOLIDATED INCOME STATEMENT

	For the 6 months ended 30 June 2010 (Unaudited)	For the 3 months ended 30 June 2010 (Unaudited)	For the 6 months ended 30 June 2009 (Unaudited*)	For the 3 months ended 30 June 2009 (Unaudited*)
EUR (thousands)				
<b>Continuing operations</b>				
Revenues from cinema related operations	116,394	46,317	80,361	36,012
Operating costs from cinema related operations	91,255	40,126	67,600	32,054
<b>Gross margin from cinema related operations</b>	<b>25,139</b>	<b>6,191</b>	<b>12,761</b>	<b>3,958</b>
Revenue from the sale of real estate	91,212	91,212	23,028	1,492
Operating costs of real estate sold	88,125	88,125	12,962	*** (2,963)
<b>Gross margin from sale of real estate</b>	<b>3,087</b>	<b>3,087</b>	<b>10,066</b>	<b>4,455</b>
Total revenues	207,606	137,529	103,389	37,504
Total operating costs	179,380	128,251	80,562	29,091
<b>Total gross margin</b>	<b>28,226</b>	<b>9,278</b>	<b>22,827</b>	<b>8,413</b>
General and administrative expenses	6,504	2,911	5,615	2,839
<b>Operating profit</b>	<b>21,722</b>	<b>6,367</b>	<b>17,212</b>	<b>5,574</b>
Financial income	400	240	416	42
Financial expenses	(2,355)	(1,446)	(1,970)	(699)
(Loss)/gain on disposals & write-off of other investments	(20)	(26)	11	7
<b>Operating income before taxation</b>	<b>19,747</b>	<b>5,135</b>	<b>15,669</b>	<b>4,924</b>
Income tax expense	(2,352)	(252)	(1,491)	(930)
<b>Net income from continuing operations</b>	<b>17,395</b>	<b>4,883</b>	<b>14,178</b>	<b>3,994</b>
<b>Discontinued operations</b>				
Loss from discontinued operations (see Note 11)	(69)	(81)	(643)	(106)
<b>Net income for the period</b>	<b>17,326</b>	<b>4,802</b>	<b>13,535</b>	<b>3,888</b>
<b>Attributable to:</b>				
Equity holders of the company	17,533	4,827	13,848	4,139
Non-controlling interest related to continued operations	(204)	(22)	(285)	(236)
Non-controlling interest related to discontinued operations	(3)	(3)	(28)	(15)
<b>Net income for the period</b>	<b>17,326</b>	<b>4,802</b>	<b>13,535</b>	<b>3,888</b>

\* Reclassified to show the discontinued operation of DVD distribution business (see Note 11).

\*\* In order to allow the reader to more easily compare these six-month results to last year's six-month results, revenues (and corresponding costs and gross results) are presented into two main categories: (a) revenues, costs and gross results from cinema related operations and (b) revenues, costs and gross results from the sale of real estate. This presentation format should allow for a better understanding of the Company's core operating results with and without the significant additional revenues that were generated from the sale of the Company's Bulgarian real estate assets during the reporting period. The revenues from the sale of real estate, the associated costs and gross results are therefore presented on separate lines, whereby for comparison purposes the amounts relating to the six months ended 30 June 2009 have been presented accordingly.

\*\*\* During the 3 months ended 30 June 2009 the company had substantially satisfied its outstanding obligation regarding the sale of Plovdiv and therefore had reduced the accrued estimated costs of its outstanding obligation, which resulted in a release of those accruals during the second quarter.

## CONSOLIDATED INCOME STATEMENT

	For the 6 months ended 30 June 2010 (Unaudited)	For the 3 months ended 30 June 2010 (Unaudited)	For the 6 months ended 30 June 2009 (Unaudited*)	For the 3 months ended 30 June 2009 (Unaudited)
EUR (thousands, except per share data and number of shares)				
<b>Net income for the period</b>	<u>17,326</u>	<u>4,802</u>	<u>13,535</u>	<u>3,888</u>
<b>Earnings per share</b>				
Weighted average number of equivalent shares	<u>50,949,367</u>	<u>51,052,233</u>	50,834,000	50,834,000
Weighted average number of equivalent shares (diluted)	<u>51,000,326</u>	<u>51,103,193</u>	50,834,000	50,834,000
EUR				
<b>Net earnings per share for profit attributable to the owners of the company (basic and diluted)</b>	<u>0.34</u>	<u>0.09</u>	<u>0.27</u>	<u>0.08</u>
<b>Net earnings per share for profit from continuing operations attributable to the owners of the company (basic and diluted)</b>	<u>0.34</u>	<u>0.09</u>	<u>0.27</u>	<u>0.08</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the 6 months ended 30 June 2010 (Unaudited)	For the 3 months ended 30 June 2010 (Unaudited)	For the 6 months ended 30 June 2009 (Unaudited)	For the 3 months ended 30 June 2009 (Unaudited)
	EUR (thousands)			
<b>Net income for the period</b>	<b>17,326</b>	<b>4,802</b>	13,535	3,888
<b>Other comprehensive income</b>				
Foreign exchange translation differences	31 <sup>2</sup>	(8,219)	(8,084)	6,567
Effective portion in fair value of cash flow hedges, net of tax <sup>1</sup>	(19) <sup>2</sup>	271	(109)	(1,826)
<b>Other comprehensive income, net of tax</b>	<b>12</b>	<b>(7,948)</b>	(8,193)	4,741
<b>Total comprehensive income for the period</b>	<b>17,338</b>	<b>(3,146)</b>	5,342	8,629
<b>Attributable to:</b>				
Equity holders of the Company	18,130	(2,904)	5,559	8,895
Non-controlling interest	(792)	(242)	(217)	(266)
<b>Total comprehensive income for the period</b>	<b>17,338</b>	<b>(3,146)</b>	5,342	8,629

<sup>1</sup> Represents changes in fair value adjustment of cash flow hedges related to part of the Company's future transactions denominated in currencies other than the functional currency.

<sup>2</sup> For comparison purposes, an amount of EUR 1,274 thousand previously reported under Effective portion in fair value of cash flow hedges, net of tax for the 3 months ended 31 March 2010 has been reclassified to Foreign exchange translation differences. The total amount of Other comprehensive Income for the 3 months ended 31 March 2010 has remained unchanged.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Accumulated currency translation adjustment	Hedge reserve	Retained earnings	Total	Non controlling interest	Total equity
EUR (thousands) - Unaudited								
Balance as of 1 January 2010	508	90,377	(4,417)	1,274	96,054	183,796	(3,987)	179,809
Issue of new shares (see Note 9)	4	1,767	-	-	-	1,771	-	1,771
Share based payments under the stock option plan	-	-	-	-	31	31	-	31
Net income for the period	-	-	-	-	17,533	17,533	(207)	17,326
Foreign currency translation adjustment	-	-	616	-	-	616	(585)	31
Effective portion in fair value of cash flow hedges	-	-	-	(19)	-	(19)	-	(19)
<b>Balance as of 30 June 2010</b>	<b>512</b>	<b>92,144</b>	<b>(3,801)</b>	<b>1,255</b>	<b>113,618</b>	<b>203,728</b>	<b>(4,779)</b>	<b>198,949</b>

	Share capital	Share premium	Accumulated currency translation adjustment	Hedge reserve	Retained earnings	Total	Non controlling interest	Total equity
EUR (thousands) - Unaudited								
Balance as of 1 January 2009	508	90,377	(4,852)	2,483	71,510	160,026	(3,483)	156,543
Share based payments under the stock option plan	-	-	-	-	47	47	-	47
Net income for the period	-	-	-	-	13,848	13,848	(313)	13,535
Foreign currency translation adjustment	-	-	(8,180)	-	-	(8,180)	96	(8,084)
Effective portion in fair value of cash flow hedges	-	-	-	(109)	-	(109)	-	(109)
<b>Balance as of 30 June 2009</b>	<b>508</b>	<b>90,377</b>	<b>(13,032)</b>	<b>2,374</b>	<b>85,405</b>	<b>165,632</b>	<b>(3,700)</b>	<b>161,932</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	EUR (thousands)	
<b>Cash flows from operating activities</b>		
Operating profit	21,722	** 17,212
Discontinued operation adjustment to operating profit	85	** (365)
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Depreciation and amortisation	9,674	7,669
Decrease in provision related to onerous lease contracts	(349)	(804)
Decrease in accrued employee rights upon retirement, net	(20)	(58)
Fair value adjustment to investment property	-	92
Effect of foreign currency exchange and other	-	(1)
Interest received	1,076	493
Interest paid	(3,084)	(2,145)
Income taxes paid	(1,909)	(348)
<b>Operating income before working capital</b>	<b>27,195</b>	<b>21,745</b>
Decrease/(increase) in inventories	774	(1,103)
Decrease in trade accounts receivable	4,386	5,752
Increase in prepaid expenses and other receivables	(442)	(840)
Decrease/(increase) in governmental institutions	555	(2,015)
Decrease/(increase) in long-term film distribution costs and deferred expenses	335	(245)
Decrease in accounts payable	(5,000)	(3,735)
Increase in employee and payroll accruals	59	158
Net changes in related parties	(103)	503
Equity share-based payments	31	47
<b>Net cash from operating activities</b>	<b>27,790</b>	<b>20,267</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment and other assets *	(17,598)	(10,469)
Investments in intangible fixed assets	(89)	(48)
Investments in investment properties	(4,511)	(3,846)
(Investment in)/sale of assets classified as held for sale	(4,507)	510
Sale of subsidiaries, net of cash disposed of (see Note 15)	70,949	-
Proceeds from disposition of property and equipment and intangible assets	62	16
Short-term bank deposits - collateralised	(116)	593
Loans to unconsolidated subsidiary	-	4,405
Changes in government institutions related to investment activity	(8,493)	-
Changes in marketable securities	13	(11)
<b>Net cash from/(used in) investing activities</b>	<b>35,710</b>	<b>(8,850)</b>

\* Taking into account movements in Investment creditors

\*\* Reclassified to show the discontinued operation of the DVD distribution business.

## CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	EUR (thousands)	
<b>Cash flows from financing activities</b>		
Proceeds from long-term loans	10,096	11,049
Repayment of long-term loans	(88,083)	(22,165)
Increase in long-term payables	341	18
Short-term bank credit, net increase	163	2,652
Proceeds net, from new shares issued	1,771	-
<b>Net cash used in financing activities</b>	<b>(75,712)</b>	<b>(8,446)</b>
Foreign currency exchange differences on cash and cash equivalents	383	(322)
(Decrease)/increase in cash and cash equivalents	(11,829)	2,649
Cash and cash equivalents at beginning of year	22,417	11,780
<b>Cash and cash equivalents at end of period</b>	<b>10,588</b>	<b>14,429</b>

**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2010**

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**Note 1 – General and principal activities**

Cinema City International N.V. ("the Company") is incorporated and domiciled in the Netherlands. The shares in the Company are traded on the Warsaw Stock Exchange. As at 30 June 2010, 63.89% of the outstanding shares in the Company are held by I.T. International Theatres Ltd. ("ITIT"), incorporated in Israel. The Company and its subsidiaries and joint ventures are principally engaged in the operation of entertainment activities in various countries including: Poland, Hungary, Czech Republic, Bulgaria, Romania and Israel. The Company is also engaged in managing and establishing its own entertainment real estate projects for rental purposes, in which the Company operates motion picture theatres. In addition, the Company is involved in short-term and long-term real estate trading in Central Europe. The Company's business is in large dependent both upon the availability of suitable motion pictures from third parties for exhibition in its theatres, and the performance of such films in the Company's markets.

The Condensed Consolidated Interim Financial Statements of the Company for the six months ended 30 June 2010 comprise the Company and its subsidiaries and joint ventures (together referred to as "the Group") and the Group's interest in associates.

The consolidated financial statements of the Group for the year ended 31 December 2009 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](http://www.cinemacity.nl/en).

**Note 2 – Statement of compliance**

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited 2009 Annual Accounts which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The 30 June 2010 Condensed Consolidated Interim Financial Statements were authorised for issue by the Management Board on 19 August 2010.

## **Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2010**

### **Note 3 – Accounting policies**

The accounting policies applied by the Company in these Condensed Consolidated Interim Financial Statements are the same as those applied by the Company in its consolidated financial statements for the year ended 31 December 2009, except for the adoption of the following new or amended Standards and Interpretations applicable to annual reporting periods beginning on or after 1 January 2010 as noted below:

- *IFRS 2 Share-based payment: Group Cash-settled Share-based Payment Transactions* – applicable to annual reporting periods beginning on or after 1 January 2010. The standard has been amended to clarify the accounting for group cash-settled share-based payment transactions. This amendment supersedes IFRIC 8 and IFRIC 11. The adoption of this amendment did not have any impact on the financial position or performance of the Group.
- *IFRS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (amended)* – applicable to annual reporting periods beginning on or after 1 July 2009. IFRS 3 (revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration, and business combinations achieved in stages. The adoption of this amendment did not have any impact on the financial position or performance of the Group.
- *IAS 27 Consolidated and Separate Financial Statements (amended)* requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The adoption of this amendment did not have any impact on the financial position or performance of the Group.
- *IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items* – applicable to annual reporting periods beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The adoption of this amendment did not have an impact on the financial position or performance of the Group.
- *IFRIC 17 Distribution of Non-cash Assets to Owners* – applicable to annual reporting periods beginning on or after 1 July 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation did not have any effect on the financial position or performance of the Group.
- Improvements to IFRSs (issued May 2008) – in May 2008 the IFRS Board issued its first omnibus of amendments to its standards. The Company has implemented the following amendments from 1 January 2010:
  - *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*: clarifies when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and did not have any impact on the financial position or performance of the Group.
- Improvements to IFRSs (issued April 2009) – in April 2009 the IFRS Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.
  - *IFRS 8 Operating Segments*: Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Company's chief operating decision maker does review segment assets and liabilities, the Company has continued to disclose this information in Note 12.

**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2010**

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**Note 3 – Accounting policies (cont'd)**

- IAS 7 *Statement of Cash Flows*: explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow investing activities.
- IAS 36 *Impairment of Assets*: The amendment clarified that the largest unit permitted for allocation of goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment did not have any effect on the financial position or performance of the Group.
- IAS 39 *Financial Instruments: Recognition and Measurement*: The amendment clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. The amendment clarifies that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquire at future date, applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken. The amendment did not have any effect on the financial position or performance of the Group.

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

**Note 4 – The use of estimates and judgements**

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions. These judgements, estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by the Management Board in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2009.

**Note 5 – Functional and reporting currency and exchange rates****A. Functional and reporting currency**

The functional currencies of the operations in Central Europe are the relevant local currencies: the Bulgarian leva, the Czech crown, the Hungarian forint, the Romanian new lei and the Polish zloty. The functional currency of the operations in Israel is the New Israeli shekel (NIS). The financial statements of the above mentioned foreign operations are translated from the respective functional currency into euro (presentation currency of the Company) for both 2009 and 2010 as follows:

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

## Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2010

## Note 5 – Functional and reporting currency and exchange rates (cont'd)

## B. Exchange rates

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

Exchange rate of euro						
As of	Czech crown (CZK)	Hungarian forint (HUF)	Polish zloty (PLN)	US dollar (USD)	Israeli shekel (NIS)	Romania new lei (RON)
<b>30 June 2010</b>	<b>25.79</b>	<b>287.16</b>	<b>4.16</b>	<b>1.22</b>	<b>4.76</b>	<b>4.39</b>
31 December 2009	26.42	272.65	4.14	1.43	5.44	4.25
30 June 2009	26.04	276.95	4.50	1.40	5.54	4.23
Change during the period	%	%	%	%	%	%
<b>2010 (6 months)</b>	<b>(2.38)</b>	<b>5.32</b>	<b>0.57</b>	<b>(14.83)</b>	<b>(12.57)</b>	<b>3.38</b>
2009 (12 months)	(0.83)	1.89	(0.24)	1.42	2.64	5.20
2009 (6 months)	(2.25)	3.50	8.43	(0.71)	4.53	4.70

Exchange rate of euro						
Average for the period	Czech crown (CZK)	Hungarian forint (HUF)	Polish zloty (PLN)	US dollar (USD)	Israeli shekel (NIS)	Romania new lei (RON)
<b>2010 (6 months)</b>	<b>25.76</b>	<b>272.12</b>	<b>4.01</b>	<b>1.33</b>	<b>4.99</b>	<b>4.16</b>
2009 (12 months)	26.48	281.15	4.34	1.39	5.47	4.25
2009 (6 months)	27.17	290.54	4.48	1.34	5.41	4.24
Change during the period	%	%	%	%	%	%
<b>2010 (6 months)</b>	<b>(2.70)</b>	<b>(3.21)</b>	<b>(7.56)</b>	<b>(4.60)</b>	<b>(8.72)</b>	<b>(2.11)</b>
2009 (12 months)	5.96	11.38	23.30	(5.44)	3.99	14.86
2009 (6 months)	8.72	15.10	27.27	(8.84)	2.85	14.59

Exchange rate of euro						
Average for the quarter ended 30 June	Czech crown (CZK)	Hungarian forint (HUF)	Polish zloty (PLN)	US dollar (USD)	Israeli shekel (NIS)	Romania new lei (RON)
<b>2010</b>	<b>25.60</b>	<b>274.86</b>	<b>4.02</b>	<b>1.28</b>	<b>4.81</b>	<b>4.19</b>
2009	26.72	287.03	4.46	1.36	5.54	4.21
Change quarter over quarter	%	%	%	%	%	%
<b>2010</b>	<b>(4.19)</b>	<b>(4.24)</b>	<b>(9.87)</b>	<b>(5.88)</b>	<b>(13.18)</b>	<b>(0.48)</b>
2009	7.43	15.23	30.4	(12.82)	3.55	14.71

\* 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.

## **Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2010**

### **Note 6 – Changes in Consolidated Entities**

#### **Changes in consolidated and associated entities during the first six months of 2010:**

##### *Entity newly in consolidation:*

- Forum Film Romania s.r.l., 100% owned by the Company, was incorporated in Romania. This entity commenced operations in January 2010 and specializes in the distribution of movies in Romania.

##### *Entities excluded from consolidation:*

- IT Sofia B.V., Netherlands, previously 100% owned by the Company
- IT Sofia 2007 B.V., Netherlands, previously 100% owned by the Company
- Cinema City Malls B.V., Netherlands, previously 100% owned by the Company
- Cinema City Stara Zagora B.V., Netherlands, previously 100% owned by the Company
- Mall of Russe AD, Bulgaria, previously 100% owned by the Company
- Mall of Stara Zagora AD, Bulgaria, previously 55% owned by the Company
- RESB EOOD, Bulgaria, previously 100% owned by the Company

The interests in these entities have been sold in April 2010 as part of the transaction described in Note 15.

### **Note 7 – Commitments and contingent liabilities**

The Company and its subsidiaries did not enter into any new agreements or contracts that resulted in additional significant commitments or contingent liabilities since 31 December 2009 except from the describe below, the commitments, contingent liabilities and liens as disclosed in the Company's Annual Accounts for the year ended 31 December 2009 have not materially changed as at 30 June 2010, except for further commitments to open new cinemas as part of the Company's expansion plans and except for new commitments and securities as disclosed below.

In connection with the sale of the real estate in Bulgaria to Israel Theatres as described in Note 15 the Company has agreed to refrain from borrowing additional funds if such borrowings would result in Israel Theatres, on a fully consolidated basis (together with the Company), breaching agreed-upon EBITDA to debt ratios.

As of 30 June 2010, the Group has issued guarantees for loans for a total amount of EUR 12.0 million and PLN 188.5 million (EUR 45.3 million) in connection with loans provided to subsidiaries.

Cinema City Poland Sp. z o.o. (CCP), 100% owned by the Company, is the defendant in a claim brought by Związek Autorów i Kompozytorów ("Zaiks"), a Polish collection society representing screenplay authors and authors of other literary and musical works used in audiovisual works that are exhibited in Poland. The Company understands that Zaiks has also brought similar claims against many other major cinema exhibitors and cable TV operators in Poland, some of which, the Company believes, may have settled with Zaiks. The claimant seeks royalties in the amount of approximately EUR 2.0 million plus interest for the period through June 2007 for the use of works by certain of its members in movies exhibited in Poland. Recently, Zaiks filed a motion with the court to settle with CCP for the period through 2009. Although no claims have been raised by Zaiks for the period after June 2007, Zaiks motion to the court for settlement for the period through 2009 makes it more likely that Zaiks will make a claim for additional amounts for the period after 2007. Based on legal advice, the Management Board does not expect the outcome of the claim to have a material effect on the Group's financial position. The Company continues to accrue amounts in connection with this matter.

**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2010**

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**Note 8 – Financial instruments**

Exposure to credit, interest rate and currency risks arises in the normal course of the Company's business. These risks are described in fuller detail in the 2009 Annual Accounts. As at 30 June 2010, the Company has hedged some of its USD and EUR expenses through June 2010 in respect of its Polish, Hungarian and Czech theatre operations, against the Polish zloty, the Hungarian forint and Czech crown, respectively.

In connection with these obligations, the Company has entered into the following forward foreign exchange contracts:

- (1) Contracts comprising a commitment to buy EUR 300,000 and USD 500,000 at the beginning of each month until December 2010 at fixed prices denominated in Polish zloty;
- (2) Contracts comprising a commitment to buy USD 255,000 at the beginning of each month until December 2010 at fixed prices denominated in Hungarian forint;
- (3) Contracts comprising a commitment to buy USD 90,000 at the beginning of each month until August 2011 at fixed prices denominated in the Czech crown.

These forward foreign exchange contracts have been valued in the Condensed Consolidated Statement of Financial Position at 30 June 2010 at their fair value.

The change in fair value of contracts signed as of 1 January 2008 onwards is booked directly into equity in a separate Hedge reserve. The Company designates these contracts to hedge future cash flow fluctuations deriving from differences between the EUR and the USD against local currencies as described above. Amounts are released from the Hedge reserve to profit or loss when the future transaction is settled.

**Note 9 – Share capital**

The authorised share capital of the Company consists of 175,000,000 shares of EUR 0.01 par value each.

The number of issued and outstanding ordinary shares as at 1 January 2009 was 50,834,000 and remained unchanged during the financial year 2009.

At 15 February 2010, in connection with the exercise of share options granted in prior years to employees, the Company issued 25,000 ordinary shares (see Note 20).

In April 2010, a further 341,000 share options granted in prior years to employees, were exercised (see also Note 20). Initially, these shares were made available to the option holders by the Company's largest shareholder, I.T. International Theatres Ltd. Following the exercise of the options, on 11 May 2010, the Company issued 341,000 new ordinary shares to I.T. International Theatres Ltd to facilitate the exercise of the share options.

As a result of the issue of new shares in February and May 2010, the total number of issued and outstanding ordinary shares increased to 51,200,000. The total proceeds of the 366,000 new ordinary shares issued during the six months ended 30 June 2010 amounted to EUR 1,771,000.

All shares issued and outstanding at 30 June 2010 have been fully paid.

**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2010**

**Note 10 – Related party transactions**

There were no material transactions and balances with related parties during the six months ended 30 June 2010 other than were already disclosed in 2009 annual accounts and the sale of the Bulgarian real estate projects in April 2010 which is disclosed in Note 15 and the issue of 341,000 new shares in May 2010 as disclosed in Note 9.

**Note 11 – Discontinued operations**

Towards the end of 2009, the Company decided to terminate its DVD distribution activities in Hungary as well as in the Czech Republic. The DVD distribution activities in these two countries have been taken place in an unpredictable market environment making it difficult for management to derive real growth and profitability from this segment. Because the DVD distribution activities in Hungary and the Czech Republic were not classified as a discontinued operation as at 30 June 2009, the relevant comparative amounts in the consolidated income statement have been reclassified to show the discontinued operations separately from continuing operations.

The consolidated income statements for the six months and for the three months ended 30 June 2010 and 2009 respectively, comprise the results from film distribution activities in Hungary and the Czech Republic.

**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2010****Note 12 - Segment Reporting**

The Group's operations in Israel and Central Europe are organised under the reportable segments, as described below, which are the Group's major business segments. The strategic business units offer different products and services because they require different processes and marketing strategies. For each of the strategic business units, the Management Board reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Theatre operations.
- Distribution – Distribution of movies.
- DVD distribution (discontinued – see Note 11).
- Other – this includes the Company's cinema related real estate activities and the sale of real estate.

	For the six months ended 30 June 2010							
	EUR (thousands) – (Unaudited)							
	Theatre operations	Distribution	DVD distribution (discontinued)	Other	Eliminations	Consolidated	Less: Discontinued operations	Continuing operations
<b>Revenues</b>								
External sales	106,328	9,069	2,341	92,209	-	209,947	2,341	207,606
Inter-segment sales	354	6,612	14	-	(6,980)	-	-	-
Total revenues	<u>106,682</u>	<u>15,681</u>	<u>2,355</u>	<u>92,209</u>	<u>(6,980)</u>	<u>209,947</u>	<u>2,341</u>	<u>207,606</u>
Segment results	<u>18,590</u>	<u>28</u>	<u>85</u>	<u>3,104</u>	<u>-</u>	<u>21,807</u>	<u>85</u>	<u>21,722</u>
Net financial expense						(2,008)	(53)	(1,955)
Gain and loss on disposals						(17)	3	(20)
Income taxes						(2,456)	(104)	(2,352)
Non controlling interests						207	3	204
Net income						<u>17,533</u>	<u>(66)</u>	<u>17,599</u>

	30 June 2010					
	EUR (thousands) – (Unaudited)					
	Theatre operations	Distribution	DVD distribution (discontinued)	Other	Unallocated	Consolidated
<b>Segment assets</b>	<u>240,689</u>	<u>4,695</u>	<u>1,543</u>	<u>20,216</u>	<u>1,939</u>	<u>269,082</u>
<b>Segment liabilities</b>	<u>24,161</u>	<u>5,755</u>	<u>3,083</u>	<u>125</u>	<u>37,009</u>	<u>70,133</u>
<b>Capital expenditure</b>	<u>14,028</u>	<u>69</u>	<u>-</u>	<u>4,511</u>	<u>-</u>	<u>18,608</u>

## Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2010

## Note 12 - Segment Reporting (cont'd)

For the six months ended 30 June 2009								
EUR (thousands) – (Unaudited)								
	<b>Theatre operations</b>	<b>Distribution</b>	<b>DVD distribution (discontinued)</b>	<b>Other</b>	<b>Eliminations</b>	<b>Consolidated</b>	<b>Less: Discontinued operations</b>	<b>Continuing operations</b>
<b>Revenues</b>								
External sales	73,133	5,799	1,938	24,457	-	105,327	1,938	103,389
Inter-segment sales	195	2,924	-	-	(3,119)	-	-	-
<b>Total revenues</b>	<b>73,328</b>	<b>8,723</b>	<b>1,938</b>	<b>24,457</b>	<b>(3,119)</b>	<b>105,327</b>	<b>1,938</b>	<b>103,389</b>
<b>Segment results</b>	<b>7,892</b>	<b>(386)</b>	<b>(365)</b>	<b>9,706</b>	<b>-</b>	<b>16,847</b>	<b>(365)</b>	<b>17,212</b>
Net financial expense						(1,652)	(98)	(1,554)
Gain and loss on disposals						(29)	(40)	11
Income taxes						(1,631)	(140)	(1,491)
Non controlling interests						313	28	285
<b>Net income</b>						<b>13,848</b>	<b>(615)</b>	<b>14,463</b>
<b>30 June 2009</b>								
EUR (thousands) – (Unaudited)								
	<b>Theatre operations</b>	<b>Distribution</b>	<b>DVD distribution (discontinued)</b>	<b>Other</b>	<b>Unallocated</b>	<b>Consolidated</b>		
<b>Segment assets</b>	<b>200,747</b>	<b>9,843</b>	<b>3,974</b>	<b>75,154</b>	<b>1,069</b>	<b>290,787</b>		
<b>Segment liabilities</b>	<b>19,850</b>	<b>3,028</b>	<b>2,454</b>	<b>8,786</b>	<b>94,737</b>	<b>128,855</b>		
<b>Capital expenditure</b>	<b>12,880</b>	<b>57</b>	<b>13</b>	<b>2,666</b>	<b>-</b>	<b>15,616</b>		

\* reclassified for comparison purposes

**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2010**

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**Note 13 – Property and equipment**

During the six months ended 30 June 2010, the Company acquired assets with a cost of EUR 14,015 thousand (six months ended 30 June 2009: EUR 12,962 thousand). Such acquisition comprised mainly cinema equipment and leasehold improvements. Assets with a carrying amount of EUR 69 thousand were disposed of during the six months ended 30 June 2010 (six months ended 30 June 2009: EUR 45 thousand), resulting in a loss on disposal of EUR 7 thousand (six months ended 30 June 2009: a loss of EUR 29 thousand).

**Note 14 – Investment properties**

During the six months ended 30 June 2010, the Company made further construction expenditures amounting to EUR 4,511 thousand (six months ended 30 June 2009: EUR 3,846 thousand). For the sale of the investment properties during the six months ended 2010, see Note 15.

**Note 15 – Assets classified as held for sale**

As at 31 December 2009, the assets classified as held for sale comprised the Company's 50% interest in Mall of Russe, Bulgaria and 27.5% interest in Mall of Stara Zagora, Bulgaria. The other 50% interest in Mall of Russe and the other 27.5% interest in Mall of Stara Zagora were accounted for as investment property.

At 21 April 2010, the Company sold all of its interests in these real estate development projects as well as the local management company, RESB EOOD, which is responsible for building and leasing these assets to its controlling shareholder, Israel Theatres Ltd. through its subsidiaries. The sale of the Bulgarian real estate development projects was effectuated by a sale of the subsidiaries of the Company that are holding the interests in both projects, including other assets and liabilities of the subsidiaries transferred to the buyer.

The buyer, Israel Theatres Ltd., assumed all of the Company's outstanding real estate development related obligations in Bulgaria, including the completion of the Company's post-sale commitments relating to the Mall of Plovdiv. The purchase price was based on a valuation performed by an internationally recognised third party valuator for both the properties in Russe and Stara Zagora, which was separately obtained by the Company in conjunction with the preparation of its 2009 audited consolidated financial statements. The valuation has been adjusted to reflect the closing balance sheets of the relevant companies. As a result of the transaction, the Company realised an additional gain of approximately EUR 3.1 million, which has been recognised in the six months ended 30 June 2010.

Per the sale and purchase agreement, Israel Theatres paid EUR 76.2 million of the purchase price at the closing of the transaction. The remainder, an amount of EUR 15.0 million, will be paid 9 months after the opening of the Mall of Russe. In no event, however, will payment of the remainder take place not later than 18 months following the closing of the transaction (21 April 2010). In connection with Israel Theatres securing financing for the transaction, the Company has agreed to refrain from borrowing additional funds if such borrowings would result in Israel Theatres, on a fully consolidated basis (together with the Company), breaching agreed-upon EBITDA to debt ratios. This covenant is not expected to impact upon the Company's current cinema development plans. This covenant will remain in force as long as Israel Theatres remains the majority shareholder of the Company or until Israel Theatres has repaid the debt which it has assumed for financing the transaction.

In addition, the sale and purchase agreement provides that Israel Theatres will pay to the Company a percentage of any gains it realizes from selling the two Bulgarian real estate assets at any time until the end of 2014.

**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2010****Note 15 – Assets classified as held for sale (cont'd)**

The assets and liabilities transferred and received as part of the sale transaction are as follows:

	<b>EUR (thousands) – (Unaudited)</b>
Development properties	92,307
Property and equipment (other)	190
Deferred tax assets	34
Trade accounts receivable	4
Other accounts receivable and prepaid expenses	5,393
Receivables from related parties	18
Cash and cash equivalents in subsidiaries sold	2,176
Deferred tax liabilities	(672)
Trade accounts payable	(19)
Payable to related parties	(532)
Employee and payroll accruals	(44)
Other accounts payable	(7,995)
Seller financing *	(14,648)
<b>Total net identifiable assets</b>	<b>76,212</b>
Cash and cash equivalents in subsidiaries sold	(2,176)
<b>Total net cash inflow</b>	<b>74,036</b>

*The total net cash inflow is presented in the cash flow statement as follows:*

Profit recognised from the sale of real estate – included in Operating profit in <i>Cash flows from operating activities</i>	3,087
Sale of subsidiaries, net of cash disposed of – reported under <i>Cash flows from investing activities</i>	70,949
<b>Total net cash inflow</b>	<b>74,036</b>

\* Reflected in present value amount

The balance of the receivable from related parties as at 30 June 2010, amounting to EUR 15,222 thousand, includes the deferred payment due by the buyer of the development properties.

**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2010****Note 16 – Loans and borrowings**

The following loans and borrowings (non-current and current) were issued and repaid during the six months ended 30 June 2010:

	<u>Currency</u>	<u>Interest rate</u>	<u>EUR (thousands)</u> <u>– (Unaudited)</u>
			<u>Carrying amount</u>
<b>Balance as at 1 January 2010</b>			106,165
<b>New issues:</b>			
Short term bank credit	PLN	Wibor+1.5%	2,520
Secured bank loan	EUR	Libor+1.7%-2.0%	10,096
Short term bank credit	EUR	4.0%	11
<b>Repayments</b>			
Secured bank loan	EUR		(52,942)
Secured bank loan	HUF		(204)
Secured bank loan	PLN		(11,043)
Secured bank loan	NIS		(23,621)
Short term bank credit	NIS		(2,368)
Secured bank loan	CZK		(273)
<b>Translation and currency differences</b>			2,765
<b>Balance as at 30 June 2010</b>			<u>31,106</u>
<i>Split as follows:</i>			
Long term loans			22,472
Short term borrowings			8,634
<b>Balance as at 30 June 2010</b>			<u>31,106</u>

**Note 17 – Income tax expense**

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2010 is 12.4% (the estimated tax rate for the six months ended 30 June 2009 was 10.7%).

**Note 18 – Impairment losses and provisions**

During the six months ended 30 June 2010, no impairment losses were charged.

**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2010**

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**Note 19 – Seasonality**

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

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

**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2010****Note 20 – 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. On 6 December 2006, a total number of 477,000 options with an exercise price of EUR 5.05 each, vesting in 3 years and having an option term of 4 years, were granted to certain employees of the Group. No options were granted to employees during 2007. On 17 September 2008 and on 18 November 2009, a further number of 105,000 and 62,000 options respectively with an exercise price of PLN 25 each, vesting in one to three years and having an option term of 4 years, were granted to certain employees of the Group. Members of the Management Board did not receive any options under the Plan.

In December 2007, a total number of 110,000 options that were granted in 2006 were exercised. The average share price at the time of exercise was EUR 9.42 per share. In February 2010, a total number of 25,000 options that were granted in 2006, were exercised (see Note 9). The average share price at the time of exercise was PLN 36.05. In April 2010, a further 341,000 options were exercised (see Note 9). The average share price at the time of exercise was PLN 34.00.

The weighted average exercise price of options outstanding (vested but not yet exercised and not expired) is EUR 5.46. The number of exercisable options at 30 June 2010 is 75,666.

The details of the number of options outstanding as at 30 June 2010 are as follows:

Vesting date	Exercise price	Number of options		
		Granted	Exercised	Outstanding
6 December 2007	EUR 5.05	159,000	152,000	7,000
6 December 2008	EUR 5.05	159,000	141,000	18,000
6 December 2008	PLN 25	27,000	16,000	11,000
6 December 2009	EUR 5.05	159,000	141,000	18,000
6 December 2009	PLN 25	47,666	26,000	21,666
6 December 2010	PLN 25	71,667	-	71,667
6 December 2011	PLN 25	20,667	-	20,667
		<u>644,000</u>	<u>476,000</u>	<u>168,000</u>

The weighted average fair values at grant date of options using the Black-Scholes valuation model have been calculated using the following significant assumptions as input into the model:

Grant date	Input of assumptions						Fair value per option
	Exercise price	Weighted average share price	Volatility *	Dividend yield	Option life (years)	Annual risk free rate	
6 December 2006	EUR 5.05	EUR 1.10	20%	0%	4	4%	<b>EUR 1.00</b>
17 September 2008	PLN 25.00	PLN 20.00	43%	0%	4	4%	<b>EUR 1.10</b>
18 November 2009	PLN 25.00	PLN 22.50	41.2%	0%	4	4%	<b>EUR 1.39</b>

\* The expected volatility is estimated by considering historic average share price volatility.

**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2010**

The impact of the share-based payment on the financial statements of the Company for the six months ended 30 June 2010 was an expense of EUR 31,000 (six months ended 30 June 2009: EUR 47,000) recognised in the income statement with a corresponding increase in equity. During the six months ended 30 June 2010 and during the year 2009 no options were forfeited.

**Note 21 – Subsequent events**

None