Cinema City International N.V.

Interim Financial Report

for the six months ended

30 June 2009

CONTENTS

DIRECTORS' REPORT

General

Introduction

Cinema City International N.V. (the "Company"), incorporated in the Netherlands, is a subsidiary of I.T. International Theatres Ltd. 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 was originally a family operated theatre business since 1929. The Company's shares are traded on the Warsaw Stock Exchange. As of 17 August 2009 the market share price was PLN 21 (EUR 5.04), giving the Company a market capitalization of EUR 256.2 million. The Company's office is located in Rotterdam, the Netherlands.

Highlights during the six months ended 30 June 2009

The Company turned in a very solid performance for the six months ended 30 June 2009, with revenues, EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortisation) and net income all having increased in comparison to the first six months of 2008 (which itself was also a strong half year). Consolidated EBITDA grew from EUR 20.9 million in the six months ended 30 June 2008 to EUR 24.5 million for the six months ended 30 June 2009. Net income grew from EUR 10.6 million for the six months ended 30 June 2008 to EUR 13.8 million for the six months ended 30 June 2009.

The results for the six months ended 30 June 2009 were particularly impacted by a number of factors:

(1) The Company benefitted from a robust international movie line-up and recorded strong performance of its theatre operations, with growth in ticket sales in all territories and growth in same store tickets sales in most of its territories of operations.

(2) The Company sold its remaining interest in the Mall of Plovdiv to GE Real Estate and Quinlan Private (Ireland), the same parties that purchased the first 50% of the project about 2 years earlier.

(3) Despite the actual growth of operational results in local currencies terms of the Company's theatre operations business, the significant devaluation of the local currencies in most of the Company's territories in Central and Eastern Europe compared to the Euro – the Company's reporting currency – has reduced the Euro results of this division during the six months ended 30 June 2009 compared to the six months ended 30 June 2008. This negative currency impact was partly offset by positive results from the hedging contracts that the Company entered into during previous years in order to protect its rent related exposure to the Euro and US Dollar.

DIRECTORS' REPORT

Theatre operations

The Company's strong theatre operations during the six months ended 30 June 2009 were supported by a well received supply of international movies. In addition, it appears as if the Company's theatre operations throughout its territories were in line with the reported results of most of the multiplex chains around the world in general: global movie attendance during the first half of the year was generally very positive in a world-wide recessionary environment. In particular, as has been the case for the past several quarters, the Company's Polish operations performed very well, supported by a strong supply of Polish movies. The new screens that the Company opened during 2008 had their first full 6 months of operations during the six months ended 30 June 2009, which, together with the addition of 37 screens that opened during the six months ended 30 June 2009, 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 2009, the Company has opened the following theatres:

- an 8 screen multiplex in Pardubice, the Czech Republic,
- an 8 screen multiplex in Bacau, Romania,
- an 11 screen multiplex in Plovdiv, Bulgaria, and
- a 10 screen multiplex in Bielsko Biala , Poland

The Company's total screen count as at 30 June 2009, following the above openings, is 603 (including 8 IMAX® theatres).

Digital Projection

In a number of the Company's newest multiplexes opened during 2008 and the six months ended 30 June 2009 (including in Budapest, Hungary; Haifa, Israel; Pardubice, Czech Republic; Plovdiv, Bulgaria; Bacau, Romania), and in some of the Company's existing leading multiplexes, the Company has begun to install state-of-the-art digital projectors. Currently, the Company has installed 102 such projectors, and intends to install at least 20 more in its leading multiplexes throughout its cinema chain by the end of 2009. The digital projectors provide a higher quality, sharper resolution viewing experience and the ability to display a new generation of 3D movies. These 3D movies have already begun to attract larger audiences, as evidenced by the recent success of movies such as *Ice Age III* and *Up*. With movies such as these, the innovation and quality of the 3D viewing experience is also allowing the Company to generate higher ticket prices than from its non-3D movies.

The digital projectors also provide the possibility to show alternative content like operas, ballet, leading concerts and sport events from around the world. In this regard, during 2008 the Company signed a distribution agreement for such alternative content, with Digiscreen, which is distributing among other things the content from The Royal Opera House in London. The Company already started to show the alternative content in Israel and Poland. The reaction from the audience has thus far been very positive. By the end of 2009 the Company is planning to start showing this content in its additional territories.

The Company believes that in the long term, digital technology will not only generate higher attendance through 3D pictures and alternative content, but it can help reduce cinema labor costs as digital projectors require less ongoing manpower than traditional reel to reel projectors.

DIRECTORS' REPORT

Real estate operations

As noted above, during the six months ended 30 June 2009, real estate activities contributed strongly to the Company's results. The Company realized EUR 24.5 million of revenues from real estate and other activities during the six months ended 30 June 2009, compared to EUR 7.9 million during the six months ended 30 June 2008. During the six months ended 30 June 2009, the Company sold its remaining interest in the Mall of Plovdiv to GE Real Estate and Quinlan Private (Ireland), the same parties that purchased the first 50% of the project about 2 years earlier. The sale transaction, for which the Company recorded revenue of EUR 23 million, was completed at the time of the Mall's opening in March 2009. Under the terms of the sale, the Company continues to hold a long-term lease for the 11 screen multiplex located in the Mall of Plovdiv, which also opened in March 2009. The Company (and the other selling shareholders that participated in the sale) continued to be responsible for the final completion of the project following the closing, which consisted primarily of supervising the completion activities of the Mall's main contractors. By the end of June 2009, the Company had substantially satisfied its outstanding obligations, which included reaching final agreement with the contractors and delivering the completed project to the purchasers. As at 30 June 2009, the Company had substantially reduced the accrued estimated costs of its outstanding obligations.

Film distribution activities/ DVD rental-sale activities

The Company's distribution division had a relatively slow half year, compared to the six months ended 30 June 2008. Revenue generated by the Company's film and video distribution division was down in most territories. This reduction has historically been seasonal in its nature, and relates to fewer and less attractive movies distributed during the six months ended 30 June 2009 by those film studios which the Company represents in most of its territories.

In October 2008, the Company, together with its 50% joint venture partner, sold its Israeli video and DVD film rental and sale business, which had been conducted through Blockbuster Israel. NMC-United purchased the business for NIS 6.8 million (approximately EUR 1.4 million). Following the sale, the Company ceased this line of activity, which had become increasingly immaterial to the Company's overall operations in recent years. The results of this operation during the six months ended 30 June 2009 and the six months ended 30 June 2008 have therefore been reclassified to "Loss from discontinued operations".

DIRECTORS' REPORT

Overview of results

The Company's net income for the six months ended 30 June 2009 was EUR 13,848,000 and can be summarized as follows:

	For the six months ended 30 June 2009	2008
	EUR (thousands, except per share data)	
Continuing operations		
Revenues	**105,327**	90,252
Operating costs, excluding depreciation and amortisation	**74,895**	64,261**
Gross result	**30,432**	25,991
General and administrative expenses	**5,916**	5,050
EBITDA *	**24,516**	20,941
Depreciation and amortisation	**7,669**	9,031
Operating profit	**16,847**	11,910
Financial income	**493**	1,702**
Financial expenses	**(2,145)**	(1,833)**
Gain/ (loss) on disposals and write-off of other investments	**11**	(18)
Operating income before taxation	**15,206**	11,761
Income taxes	**(1,631)**	(997)
Net income from continuing operations	**13,575**	10,764
Loss from discontinued operations	**(40)**	(475)
Net income before minority interests	**13,535**	10,289
Non controlling interests	**313**	355
Net income attributable to equity holders of the company	**13,848**	10,644
Weighted average number of equivalent shares (basic)	**50,834,000**	50,834,000
Weighted average number of equivalent shares (diluted)	**50,834,000**	50,915,460
Net earnings per ordinary share (basic and diluted of EUR 0.01 each)	**0.27**	0.21

* 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
**Reclassified for comparison purposes

DIRECTORS' REPORT

Revenues

Total revenues increased by 16.6% from EUR 90.3 million during the six months ended 30 June 2008 to EUR 105.3 million during the six months ended 30 June 2009.

Theatre operating revenues increased by 3.5% from EUR 70.6 million during the six months ended 30 June 2008 to EUR 73.1 million during the six months ended 30 June 2009. The increase in theatre revenues mainly resulted from an increase in the number of admissions, driven primarily by the contribution of new cinemas opened in 2008 and in the six months ended 30 June 2009 and a strong supply of movies in most territories. The devaluation of the local currencies in most countries of operation has offset the majority of this growth. In Poland, for example, the Company's main country of operation, theatre operating revenue grew in local currency by 24.0%, while in Euro terms it was reduced by 3.0%.

Distribution operating revenues decreased by 34.7% from EUR 11.8 million during the six months ended 30 June 2008 to EUR 7.7 million during the six months ended 30 June 2009. The decrease was mainly due to the reduction in distribution revenue primarily in Poland due to a relatively weak supply of movies distributed by Forum Film Poland compared to the six months ended 30 June 2008, and the reduction of DVD distribution in Hungary and the Czech Republic, which was also due to a weak supply of movies compared to the six months ended 30 June 2008. The devaluation of the local currencies in most countries of operation exacerbated the reduction in revenue. Distribution revenue in Poland, the Company's main country of operation, for example, was reduced by 24.9% in local currency, while the reduction in Euro terms was 41.2%.

Other revenues, which include real estate activities, increased by 210.1% from EUR 7.9 million during the six months ended 30 June 2008 to EUR 24.5 million during the six months ended 30 June 2009. This increase was mainly attributed to the sale of the Company's interest in Mall of Plovdiv in March 2009 as described above. This increase was not affected by changes in the value of currencies, as revenues and expenses are fixed in Euros. The revenue generated in the six months ended 30 June 2008 under other revenues was primarily ascribed to the revaluation of the Company's interest in the Mall of Russe.

Operating costs

Operating costs increased by 16.7% from EUR 64.2 million during the six months ended 30 June 2008 to EUR 74.9 million during the six months ended 30 June 2009. This net increase resulted primarily from the total effects of:

- an increase in theatre operating expenses which is primarily explained by the increase in theatre revenues as described above. Theatre operating expenses, excluding depreciation and amortisation, as a percentage of total theatre revenue remained at a similar level - 74.0% and 75% for the six months ended 30 June 2009 and the six months ended 30 June 2008, respectively;
- a decrease in distribution operating expenses as a result of the decrease in revenues as described above. Distribution operating expenses, excluding depreciation and amortisation, as a percentage of total distribution revenue increased to 97.9% for the the six months ended 30 June 2009, from 92.3% for the six months ended 30 June 2008. This change is mostly due to the fact that a large part of the distribution expense is fixed in its nature. A reduction in revenue will therefore cause the percentage of expenses to grow;

DIRECTORS' REPORT

- an increase in other operating expenses which is primarily explained by an increase in other revenues as described above. Other operating expenses, excluding depreciation and amortisation, as a percentage of total other revenue increased to 54% for the six months ended 30 June 2009, from 5.4% for the six months ended 30 June 2008. This is primarily due to the real estate sale in Plovdiv, Bulgaria, in 2009 and the fact that no similar sale transaction was recorded in the six months ended 30 June 2008;

General and administrative expenses

General and administrative expenses increased by 15.7% from EUR 5.1 million for the six months ended 30 June 2008 to EUR 5.9 million during the six months ended 30 June 2009. The increase is mainly a result of the increase in the management bonus accrual in line with the increase in the Company's pre-tax profits and increase in the activities both in Romania and Bulgaria. General and administrative expenses as a percentage of total revenue remained approximately 5.5% for the the six months ended 30 June 2009, the same percentage as for the six months ended 30 June 2008.

EBITDA

As a result of the factors described above, the earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 17.2% from EUR 20.9 million for the six months ended 30 June 2008 to EUR 24.5 million for the six months ended 30 June 2009.

Depreciation and amortisation

Depreciation and amortisation expenses decreased by 14.4% from EUR 9.0 million for the six months ended 30 June 2008 to EUR 7.7 million for the six months ended 30 June 2009. This decrease is mainly due to the depreciation of the fixed assets related to the closing of the Arena Multiplex in Israel during the six months ended 30 June 2008 (with no such similar event occurring during the six months ended 30 June 2009), and the devaluation of local currencies against the Euro in each of the Company's territories, partly offset by an increase in depreciation due to newly opened theatres.

Operating profit

As a result of the factors described above, the operating profit increased by 41.2% from EUR 11.9 million during the six months ended 30 June 2008 to EUR 16.8 million during the six months ended 30 June 2009.

Financial income/expenses

The balance of financial income and expenses resulted in a net expense of EUR 1.7 million during the six months ended 30 June 2009 compared to a net expense of EUR 0.1 million during the six months ended 30 June 2008. The increase is mainly due to exchange rate differences carried on short and long-term payables denominated in currencies other than the Euro, the Company's functional currency.

Non-controlling interest

Non-controlling interest for the six months ended 30 June 2009 and 30 June 2008 comprise the share of minority shareholders in losses from subsidiaries that are not 100% owned by the Company (EUR 0.3 million and EUR 0.4 million, respectively).

DIRECTORS' REPORT

Net income

As a result of the factors described above, the Company realized a net income of EUR 13.8 million during the six months ended 30 June 2009 compared to net income of EUR 10.6 million during the six months ended 30 June 2008.

DIRECTORS' REPORT

Selected financial data

PLN/EUR	Exchange rate of Euro versus the Polish Zloty			
	Average exchange rate	**Minimum exchange rate**	**Maximum exchange rate**	**Quarter end exchange rate**
2009 (six months ended 30 June)	**4.474**	**3.917**	**4.900**	**4.470**
2008 (six months ended 30 June)	3.492	3.354	3.658	3.354

Source: National Bank of Poland ("NBP")

Selected financial data	EUR		PLN	
	(thousands, except per share data)			
	For the six months ended 30 June			
	2009	**2008**	**2009**	**2008**
Revenues	**105,327**	90,252	**471,233**	315,160
Operating profit	**16,847**	11,910	**75,373**	41,590
Income before taxation	**15,206**	11,761	**68,032**	41,069
Net income attributable to Equity holders of the parent company	**13,848**	10,644	**61,956**	37,169
Cash flows from operating activities	**20,267**	13,109	**90,675**	45,777
Cash flows used in investment activities	**(8,850)**	(19,310)	**(39,595)**	(67,431)
Cash flows provided by (used in) financing activities	**(8,446)**	5,534	**(37,787)**	19,325
Increase/(decrease) in cash and cash equivalents	**2,649**	(248)	**11,852**	(866)
Total assets	**290,787**	274,454	**1,299,818**	920,519
Provisions	**6,112**	5,837	**27,321**	19,577
Long-term liabilities (including provisions)	**82,548**	40,192	**368,990**	134,804
Current liabilities	**46,307**	62,029	**206,992**	208,045
Shareholders' equity	**165,632**	174,638	**740,375**	585,736
Share capital	**508**	508	**2,271**	1,704
Average number of equivalent shares	**50,834,000**	50,834,000	**50,834,000**	50,834,000
Average number of equivalent shares (diluted)	**50,834,000**	50,915,460	**50,834,000**	50,915,460
Net earnings per ordinary share (basic and diluted)	**0.27**	0.21	**1.21**	0.73

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.

DIRECTORS' REPORT

Outlook for the remainder of 2009 *

In spite of the very challenging economic environment throughout the Company's countries of operation, 2009 continues to prove to be good year for the Company, with a strong supply of movies supporting solid results in the Company's territories. In January 2009, Cinema City opened two multiplexes, one, an 8 screen multiplex, in Romania and one, an 8 screen multiplex, in the Czech Republic. In March, the Company opened a third project, an 11 screen multiplex in Plovdiv, Bulgaria. This was followed by the opening of a fourth project, a 10 screen multiplex in Poland.

While the current real estate and financial crisis in the various countries in which the Company operates is impacting the speed of realisation of the Company's development plans, the Company is still planning to open 3 major projects, among other projects, before the end of the year. The first and most significant is the planned opening of the Company's megaplex in the Controceni shopping centre in Bucharest, Romania, which is scheduled to open in November. This megaplex, which will include 20 screens plus an IMAX® theatre, is expected to have a very positive impact on the development of the Company's Romanian operations. The second project is a megaplex in Krakow Poland, scheduled to be opened before the end of the year in the new Krakow Bonarska shopping mall, and should include 20 screens. The third major project schedule to open before the end of the year is the Company's second major multiplex in the city of Budapest, Hungary. This multiplex, which should include 14 screens will be part of the new built Skala Buda mall, and should help to continue to strengthen the Company's position in the capital and in the rest of Hungary, adding to the ongoing success of the Arena multiplex, which opened in Budapest last year.

With 37 screens already opened this year, and with an about additional 68 screens still scheduled to be opened in Poland, Hungary and Romania, the Company expects to open a total of 105 screens for all of 2009.

The Company continues to have binding commitments for an additional 44 sites (representing approximately 466 screens) throughout Romania, and is in advanced negotiations in respect of a further number of sites. As previously noted, 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 regional slowdown in real estate development brought on by the worldwide financial and real estate crisis. 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 most 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, will not have a material negative impact on the Company's ongoing operations and results, since such failure would not pose a significant financial risk to the Company. If the completion of mall projects is either delayed or cancelled, this would only impact the rate of the Company's future growth and not its ongoing operations.

*Certain statements contained in this quarterly 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 quarterly report does not contain any forecast about the Company's and its capital group's financial results.

DIRECTORS' REPORT

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, there can be no assurance that the Company will not be materially adversely impacted if the financial crisis continues to deepen. A sustained economic downturn could result in a material drop in "mall traffic", which has historically supported theatre admissions. In addition, if consumers 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.

Management has noted, however, through the years that during economic downturns, 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 end of July 2009 and as of the date of this report continues to see no evidence of any downturn in theatre visits resulting from external economic factors.

Additional information to the report

Major shareholders

To the best of the Company's knowledge, as of the date of publication of this report for the six months ended 30 June 2009 (20 August 2009), the following shareholders are entitled to exercise over 5% of voting rights at the General Meeting of Shareholders in the Company:

	As of 20 August 2009 Number of shares/% of shares	**Increase/ (decrease) Number of shares**	**As of 30 June 2009 Number of shares/% of shares**	**Increase/ (decrease) Number of shares**	**As of 31 December 2008 Number of shares/% of shares**
I.T. International Theatres Ltd. (1)	32,709,996 / 64.35%	-	32,709,996 / 64.35%	-	32,709,996 / 64.35%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	6,187,089 /12.17%	-	6,187,089 /12.17%	950,720	5,236,369 /10,30%
ING Nationale-Nederlanden Polska Otwarty Fundusz Emerytalny	2,700,000 / 5.31%	-	2,700,000 / 5.31%	-	2,700,000 / 5.31%
BZ WBK TFI SA(2)	2,661,049 /5.23%	-	2,661,049 /5.23%	-	2,661,049 /5.23%
BZ WBK AIB Asset Management SA(2)	2,542,345 / 5.00%	-	2,542,345 / 5.00%	-	2,542,345 / 5.00%

(1) In addition, Israel Theatres Ltd, the shareholder who holds 100% of I.T. International Theaters Ltd., holds 104,988 shares in Cinema City International N.V. (representing 0.2% of the shares).

(2) BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych SA, 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 SA ("Funds"). Consequently, should it transpire that the Funds hold shares in Cinema City International NV and BZ WBK AIB Asset Management S.A. undertakes to incorporate them in any notification.

DIRECTORS' REPORT

Changes in the composition of the Supervisory Board

None.

Changes in ownership of shares and rights to shares by Management Board members in the six months ended 30 June 2009 until the date of publication of the report

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

	As of 20 August 2009 Number of shares/ % of shares	**Increase/ (decrease) Number of shares**	**As of 30 June 2009 Number of shares/ % of shares**	**Increase/ (decrease) Number of shares**	**As of 31 December 2008 Number of shares/ % of shares**
Moshe Greidinger*	11,603,379 / 22.83%	-	11,603,379 / 22.83%	-	11,603,379 / 22.83%
Amos Weltsch	None	-	None	-	None
Israel Greidinger*	11,603,379 / 22.83%	-	11,603,379 / 22.83%	-	11,603,379 / 22.83%

*The shares held by Messrs Moshe and Israel Greidinger are held indirectly through I.T. International Theaters Ltd.

The members of the Management Board did not own or receive any rights to shares in the Company during the period 31 December 2008 until 20 August 2009.

Changes in ownership of shares and rights to shares by Supervisory Board members in the six months ended 30 June 2009 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 2008 until 20 August 2009.

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 2009, 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).

DIRECTORS' REPORT

Other

As of 30 June 2009, the Group has issued guarantees for loans that in total amount to EUR 12 million and PLN 188.5 (EUR 41.8) million in connection with loans provided to subsidiaries.

As of 30 June 2009, 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 2009 :

- an increase in the provision for deferred tax liabilities of EUR 1,351,000 (an increase of EUR 746,000 during the 3 months ended 30 June 2009);
- a decrease in the provision for accrued employee retirement rights of EUR 70,000 (an increase of EUR 76,000 during the 3 months ended 30 June 2009);
- a decrease in the provision related to onerous lease contracts of EUR 804,000 (a decrease of EUR 402,000 during the 3 months ended 30 June 2009).

The Management Board

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

Rotterdam, 20 August 2009

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2009 (Unaudited)	31 December 2008 (Audited)	30 June 2008 (Unaudited)
		EUR (thousands)		
ASSETS				
NON-CURRENT ASSETS				
Intangible assets		**1,096**	1,285	1,548
Property and equipment	**12**	**177,484**	182,499 *	204,860 *
Deferred tax asset		**1,069**	1,055	855
Investment properties	**13**	**31,889**	29,382 *	19,873*
Foreign currency exchange contracts	**8**	**676**	1,894	-
Other long-term receivables		**747**	-	-
Total non-current assets		**212,961**	216,115	227,136
CURRENT ASSETS				
Inventories		**5,733**	4,859	5,131
Receivables				
Trade accounts receivable		**9,697**	16,415	14,221
Receivable from related parties		**298**	750	692
Income taxes receivable		**400**	355	498
Other accounts receivable and prepaid expenses		**15,711**	14,294	16,233
Total receivables		**26,106**	31,814	31,644
Financial assets				
Foreign currency exchange contracts	**8**	**2,461**	1,179	-
Marketable securities		**1,367**	1,358	43
Assets classified as held for sale	**14**	**27,398**	33,564	2,386
Total financial assets		**31,226**	36,101	2,429
Liquid funds				
Cash and cash equivalents		**14,429**	11,780	7,764
Short-term bank deposits - collateralized		**332**	345	350
Short-term bank deposits		**-**	591	-
Total liquid funds		**14,761**	12,716	8,114
Total current assets		**77,826**	85,490	47,318
TOTAL ASSETS		**290,787**	301,605	274,454

* Reclassified for comparison purposes (see Note 3)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2009 (Unaudited)	31 December 2008 (Audited)	30 June 2008 (Unaudited)
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital		**508**	508	508
Share premium reserve		**90,377**	90,377	90,377
Accumulated currency translation adjustment		**(13,032)**	(4,852)	21,853
Hedge reserve		**2,374**	2,483	(2,479)
Retained earnings		**85,405**	71,510	64,379
Total equity attributable to equity holders of the Company		**165,632**	160,026	174,638
Non-controlling interest		**(3,700)**	(3,483)	(2,405)
Total equity		**161,932**	156,543	172,233
LONG-TERM LIABILITIES				
Long-term loans, net of current portion	**15**	**72,515**	67,182	31,807
Accrued employee retirement rights, net		**276**	346	215
Deferred tax liabilities		**4,683**	3,332	2,861
Provision related to onerous lease contracts		**1,153**	1,957	2,761
Financial lease		**1,302**	1,398	1,402
Other long-term liabilities		**2,619**	1,828	1,146
Total long-term liabilities		**82,548**	76,043	40,192
CURRENT LIABILITIES				
Short-term borrowings	**15**	**17,539**	34,177	33,290
Trade accounts payable		**9,898**	13,007	12,105
Payable to related parties		**523**	1,334	431
Employee and payroll accruals		**1,786**	1,694	1,731
Other accounts payable		**16,561**	18,807	14,472
Total current liabilities		**46,307**	69,019	62,029
Total liabilities		**128,855**	145,062	102,221
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**290,787**	301,605	274,454

CONSOLIDATED INCOME STATEMENT

	For the 6 months ended 30 June 2009 (Unaudited)	For the 3 months ended 30 June 2009 (Unaudited)	For the 6 months ended 30 June 2008 (Unaudited*)	For the 3 months ended 30 June 2008 (Unaudited*)
	EUR (thousands, except per share data and number of shares)			
Continuing operations				
Revenues	**105,327**	**38,647**	90,252	46,239
Operating costs	**82,564**	**30,076**	73,292**	35,958**
Gross margin	**22,763**	**8,571**	16,960	10,281
General and administrative expenses	**5,916**	**3,005**	5,050	2,760
Operating profit	**16,847**	**5,566**	11,910	7,521
Financial income	**493**	**74**	1,702**	951**
Financial expenses	**(2,145)**	**(724)**	(1,833)**	(911)**
Gain/(loss) on disposals and write-off of other investments	**11**	**7**	(18)	(21)
Operating income before taxation	**15,206**	**4,923**	11,761	7,540
Income tax expense	**(1,631)**	**(1,025)**	(997)	(694)
Net income from continuing operations	**13,575**	**3,898**	10,764	6,846
Discontinued operations				
Loss from discontinued operations	**(40)**	**(10)**	(475)	(245)
Net income for the period	**13,535**	**3,888**	10,289	6,601
Attributable to:				
Equity holders of the parent company	**13,848**	**4,139**	10,644	6,608
Non-controlling interest related to continued operations	**(285)**	**(244)**	(104)	164
Non-controlling interest related to discontinued operations	**(28)**	**(7)**	(251)	(171)
Net income for the period	**13,535**	**3,888**	10,289	6,601
Earnings per share				
Weighted average number of equivalent shares	**50,834,000**	**50,834,000**	50,834,000	50,834,000
Weighted average number of equivalent shares (diluted)	**50,834,000**	**50,834,000**	50,915,460	50,915,460
Net earnings per share for profit attributable to the owners of the company (basic and diluted)	**0.27**	**0.08**	0.21	0.13
Net earnings per share for profit from continuing operations attributable to the owners of the company (basic and diluted)	**0.27**	**0.08**	0.21	0.13

* Reclassified to show the discontinued operation of DVD and Video rental business separately from the continuing operations (see Note 9).
** Reclassified for comparison purposes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the 6 months ended 30 June 2009 (Unaudited)	For the 3 months ended 30 June 2009 (Unaudited)	For the 6 months ended 30 June 2008 (Unaudited)	For the 3 months ended 30 June 2008 (Unaudited)
	EUR (thousands)			
Net income for the period	**13,535**	**3,888**	10,289	6,601
Other comprehensive income				
Foreign exchange translation differences	**(8,084)**	**6,567**	10,106	7,475
Effective portion in fair value of cash flow hedges, net of tax *	**(109)**	**(1,826)**	(2,479)	(1,614)
Other comprehensive income, net of tax	**(8,193)**	**4,741**	7,627	5,861
Total comprehensive income for the period	**5,342**	**8,629**	17,916	12,462
Attributable to:				
Equity holders of the Company	**5,559**	**8,895**	18,413	12,608
Non-controlling interest	**(217)**	**(266)**	(497)	(146)
Total comprehensive income for the period	**5,342**	**8,629**	17,916	12,462

* 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.

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)							
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)**
Balance as of 30 June 2009 (unaudited)	**508**	**90,377**	**(13,032)**	**2,374**	**85,405**	**165,632**	**(3,700)**	**161,932**

	Share capital	Share premium	Accumulated Currency translation adjustment	Hedge Reserve	Retained earnings	Total	Non controlling interest	Total Equity
	EUR (thousands)							
Balance as of 1 January 2008	508	90,377	11,605	-	53,681	156,171	(1,908)	154,263
Share based payments under the stock option plan	-	-	-	-	54	54	-	54
Net income for the six months ended 30 June 2008	-	-	-	-	10,644	10,644	(355)	10,289
Foreign currency translation adjustment	-	-	10,248	-	-	10,248	(142)	10,106
Effective portion in fair value of cash flow hedges	-	-	-	(2,479)	-	(2,479)	-	(2,479)
Balance as of 30 June 2008 (unaudited)	508	90,377	21,853	(2,479)	64,379	174,638	(2,405)	172,233

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2009	**2008**
	(unaudited)	**(unaudited)**
	EUR (thousands)	
Cash flows from operating activities		
Operating profit	**16,847**	11,910**
Discontinued operation adjustment to operating profit	**-**	(322)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortisation	**7,669**	9,447
Decrease in provision related to onerous lease contracts	**(804)**	(804)
Decrease in accrued employee rights upon retirement, net	**(58)**	(17)
Fair value adjustment to investment property	**92**	(6,790)
Effect of foreign currency exchange and other	**(1)**	(1)
Interest received	**493**	1,727
Interest paid	**(2,145)**	(1,965)**
Income taxes (paid)/received	**(348)**	522
Operating income before working capital	**21,745**	13,707
Increase in inventories	**(1,103)**	(407)
Decrease in trade accounts receivable	**5,752**	164
Increase in prepaid expenses and other receivables	**(840)**	(287)
(Increase)/decrease in governmental institutions	**(2,015)**	185
(Increase)/decrease in long-term film distribution costs and deferred expenses	**(245)**	285
Decrease in accounts payable	**(3,735)**	(265)
Increase in employee and payroll accruals	**158**	75
Net changes in related parties	**503**	(402)
Equity share-based payment	**47**	54
Net cash from operating activities	**20,267**	13,109
Cash flows from investing activities		
Purchase of property and equipment and other assets *	**(10,469)**	(18,695)
Investment in intangible fixed assets	**(48)**	(485)
Investments in investment properties	**(3,846)**	(318)
Sale/(acquisition) of Held for sale financial assets	**510**	(7)
Proceeds from disposition of property and equipment and intangible assets	**16**	237
Short-term bank deposits - collateralized	**593**	(1)
Loans to unconsolidated subsidiary	**4,405**	-
Changes in loans to third parties	**-**	(20)
Changes in marketable securities	**(11)**	(21)
Net cash used in investing activities	**(8,850)**	(19,310)

* Taking into account movements in Investment creditors

** Reclassified for comparison purposes

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2009	**2008**
	(unaudited)	**(unaudited)**
	EUR (thousands)	
Cash flows from financing activities		
Proceeds from long-term loans	**11,049**	1,331
Repayment of long-term loans	**(22,165)**	(9,661)
Increase/(decrease) in long-term payables	**18**	(172)
Short-term bank credit, net increase	**2,652**	14,036
Net cash provided by/(used in) financing activities	**(8,446)**	5,534
Foreign currency exchange differences on cash and cash equivalents	**(322)**	419
Increase/(decrease) in cash and cash equivalents	**2,649**	(248)
Cash and cash equivalents at beginning of year	**11,780**	8,012
Cash and cash equivalents at end of period	**14,429**	7,764

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 2009, 64.35% of the outstanding shares in the Company are held by I.T. International Theatres Ltd. ("ITIT"), incorporated in Israel. The Group is principally engaged in the operation of entertainment activities in various countries including: Poland, Hungary, Czech Republic, Bulgaria, Romania 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 2009 comprise the Company and its subsidiaries and joint ventures (together referred to as "the Group") and the Group's interest in associates.

The 30 June 2009 Condensed Consolidated Interim Financial Statements were authorised for issue by the Management Board on 20 August 2009.

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 2008 Annual Accounts which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The consolidated financial statements of the Group for the year ended 31 December 2008 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.

Note 3 – Accounting policies

Except as described below, 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 2008. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the Statement of Changes in Equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the Statement of Comprehensive Income) or two statements (the Income Statement and Statement of Comprehensive Income).
The Company has elected to present two statements: a (consolidated) income statement and a (consolidated) statement of comprehensive income. These Condensed Consolidated Interim Financial Statements have been prepared under the revised disclosure requirements.

IAS 23 (revised), 'Borrowing costs'. The revised Standard requires the capitalization of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. Revised IAS 23 does not constitute a change in accounting policy for the Group.

IAS 40 (amendment), 'Investment Property'. The amendment is part of the 2008 improvements to IFRS project, pursuant to which investment property under development shall be measured in accordance with IAS 40 and not in accordance with IAS 16. The amendment was adopted on a prospective basis. The Company measures its investment property according to the fair value model and therefore as from 1 January 2009 measures its developments and land also in accordance with the fair value model. Until 31 December 2008, the investment property under development was measured at cost less impairment losses in accordance with IAS 16 and IAS 36.

IFRS 2 (revised), 'Share-based Payment'. Vesting Conditions and Cancellations clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 do not constitute a change in accounting policy for the Group.

Note 3 – Accounting policies (cont'd)

IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in a change in the number of reportable segments as presented in these Condensed Consolidated Interim Financial Statements. Operating segments are reported in a manner consistent with the internal reporting provided to the Management Board of the Company.
The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Company.

- IAS 32 (amendment), 'Financial instruments: Presentation'.
- IFRIC 13, 'Customer loyalty programmes'.
- IFRIC 15, 'Agreements for the construction of real estate'.
- IFRIC 16, 'Hedges of a net investment in a foreign operation'.
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- IFRS 3 (revised), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective with regard to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The Management Board is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group.
- IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Company, as it has not made any non-cash distributions.
- IFRIC 18, 'Transfers of assets from customer', effective for transfers of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

Investment properties

As a result of the revision of IAS 40 effective from 1 January 2009, the Company has changed its accounting policy in relation to Investment properties. The investment properties as defined by revised IAS 40 that are held by the Company, comprise land and properties that are being constructed or developed for future use. All investment properties are valued at fair value as at 30 June 2009.
As of 31 December 2008, investment properties under development were recorded under the caption "Property and equipment". In the Consolidated Statement of Financial Position as at 30 June 2009 the comparative amounts for investment properties under development have been classified under "Investment properties".
Investment properties as of 30 June 2009 are stated at fair value as determined by an independent external appraiser.

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 2008.

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 functional currency into euro (presentation currency of the Company) for both 2008 and 2009 as follows:

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

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)**
30 June 2009	**26.04**	**276.95**	**4.50**	**1.40**	**5.54**	**4.23**
31 December 2008	26.64	267.59	4.15	1.41	5.30	4.04
30 June 2008	23.89	238.58	3.38	1.58	5.28	3.68
Change during the period	**%**	**%**	**%**	**%**	**%**	**%**
2009 (6 months)	**(2.25)**	**3.50**	**8.43**	**(0.71)**	**4.53**	**4.70**
2008 (12 months)	(0.11)	4.75	14.33	(4.08)	(6.36)	11.29
2008 (6 months)	(10.42)	(6.61)	(6.89)	7.48	(6.71)	1.38

	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)**
2009 (6 months)	**27.17**	**290.54**	**4.48**	**1.34**	**5.41**	**4.24**
2008 (12 months)	24.99	252.43	3.52	1.47	5.26	3.70
2008 (6 months)	25.24	254.60	3.50	1.53	5.39	3.69
Change during the period	**%**	**%**	**%**	**%**	**%**	**%**
2009 (6 months)	**8.72**	**15.10**	**27.27**	**(8.84)**	**2.85**	**14.59**
2008 (12 months)	(10.04)	0.15	(7.12)	7.30	(6.57)	10.45
2008 (6 months)	(9.14)	1.01	(7.65)	11.68	(4.26)	10.15

	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)**
2009	**26.72**	**287.03**	**4.46**	**1.36**	**5.54**	**4.21**
2008	24.87	249.09	3.42	1.56	5.35	3.67
Change quarter over quarter	**%**	**%**	**%**	**%**	**%**	**%**
2009	**7.43**	**15.23**	**30.4**	**(12.82)**	**3.55**	**14.71**
2008	(12.02)	0.04	(10.23)	15.56	(3.07)	11.21

* Since the exchange rate of Bulgarian leva versus the euro for the applicable periods is unchanged, a currency table is not added. The exchange rate for the applicable periods used is 1.95583 Bulgarian leva for one euro.

Note 6 – Changes in Consolidated Entities

Changes in consolidated and associated entities during the first six months of 2009:

Forum Film Bulgaria EOOD, 100% owned by the Company, was incorporated in Bulgaria. This entity commenced operations in January 2009 and specializes in the distribution of movies in Bulgaria.
For changes in entities classified as held for sale see note 14.

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 2008. The commitments, contingent liabilities and liens as disclosed in the Company's Annual Accounts for the year ended 31 December 2008 have not materially changed as at 30 June 2009, except for further commitments to open new cinemas as part of the Company's expansion plans and except for a cost overrun guarantee and securities as disclosed below.

During the six months ended 30 June 2009, the Company sold its remaining interest in the Mall of Plovdiv to GE Real Estate and Quinlan Private (Ireland). The Company (and the other selling shareholders that participated in the sale) will continue to be responsible for the final completion of the project, which consists primarily of supervising the completion activities of the Mall's main contractors.

During the six months ended 30 June 2009, the Company provided a guarantee for new loan to a Polish bank totaling PLN 73 million (EUR 15.5 million). The Company's Polish subsidiary provided the bank with several securities consisting mainly of an ordinary joint mortgage on its interest in several real estate investments in Poland. The Polish subsidiary undertook to meet several financial covenants.

As of 30 June 2009, the Group has guarantees for loans that in total amount to EUR 12 million and PLN 188.5 million (EUR 41.8 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 Zwiazek Autorow I Kompozytorow ("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 make 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.

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 2008 Annual Accounts. As at 30 June 2009, the Company has hedged some of its USD and EUR expenses through June 2009 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 2009 at their fair value.

The valuation 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 – Discontinued operations

On 30 October 2008, the Company signed an agreement to sell, together with its 50% joint venture partner, its Israeli video and DVD film rental and sale business, which had been conducted through Blockbuster Israel. NMC-United purchased the business for NIS 6.8 million (approximately EUR 1.4 million). Following this sale, the Company will no longer be active in the DVD film rental and sale business. This segment was not a discontinued operation or classified as held for sale as at 30 June 2008 and the comparative consolidated income statement has been reclassified to show the discontinued operation separately from continuing operations.
The impact on the Company's results for the six months ended 30 June 2009 are considered not material.

Note 10 - 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.
- Video + DVD- Rental and sale of video cassettes and DVD (discontinued).
- Other- this includes the Company's real estate business.

	For the six months ended 30 June 2009 EUR (thousands) – (unaudited)							
	Theatre operations	**Distribution**	**Video & DVD (discon--tinued)**	**Other**	**Elimi-nations**	**Conso-lidated**	**Less: Video& DVD (discon-tinued)**	**Conti-nuing operations**
Revenues								
External sales	73,133	7,737	-	24,457	-	105,327	-	105,327
Inter-segment sales	195	2,924	-	-	(3,119)	-	-	-
Total revenues	73,328	10,661	-	24,457	(3,119)	105,327	-	105,327
Segment results	7,892	(751)	-	9,706	-	16,847	-	16,847
Net financial expense						(1,652)	-	(1,652)
Gain and loss on disposals						(29)	(40)	11
Income taxes						(1,631)	-	(1,631)
Non controlling interests						313	28	285
Net income						13,848	(12)	13,860

	30 June 2009 EUR (thousands) – (unaudited)					
	Theatre operations	**Distribution**	**Video & DVD (discontinued)**	**Other**	**Unallocated**	**Consolidated**
Segment assets	200,747	13,775	42	75,154	1,069	290,787
Segment liabilities	19,850	4,413	1,069	8,786	94,737	128,855
Capital expenditure	12,880	70	-	2,666	-	15,616

Note 10 - Segment Reporting (cont'd)

	For the six months ended 30 June 2008 EUR (thousands) –(unaudited)							
	Theatre operations	**Distribution**	**Video & DVD (discon-tinued)**	**Other**	**Elimi-nations**	**Conso-lidated**	**Less: Video& DVD (discon-tinued)**	**Conti-nuing operations**
Revenues								
External sales	70,561	11,835	1,734	7,856	-	91,986	1,734	90,252
Inter-segment sales	-	2,910	-	-	(2,910)	-	-	-
Total revenues	70,561	14,745	1,734	7,856	(2,910)	91,986	1,734	90,252
Segment results*	5,344	(30)	(322)	6,596	-	11,588	(322)	11,910
Net financial expense*						(255)	(124)	(131)
Gain and loss on disposals						(47)	(29)	(18)
Income taxes						(997)	-	(997)
Non controlling interests						355	251	104
Net income						10,644	(224)	10,868

	30 June 2008 EUR (thousands) – (unaudited)					
	Theatre operations	**Distribution**	**Video & DVD (discontinued)**	**Other**	**Unallocated**	**Consolidated**
Segment assets	**225,647**	**14,760**	**1,921**	**31,270**	**856**	**274,454**
Segment liabilities*	**24,209**	**4,771**	**1,672**	**3,615**	**67,954**	**102,221**
Capital expenditure	**18,257**	**355**	**328**	**162**	**-**	**19,102**

* reclassified for comparison purposes

Note 11 – Related party transactions

There were no material transactions and balances with related parties during the six months ended 30 June 2009 other than were already disclosed in 2008 annual accounts.

Note 12 – Property and equipment

During the six months ended 30 June 2009, the Company acquired assets with a cost of EUR 12,962 thousand (six months ended 30 June 2008: EUR 18,621 thousand). Such acquisition comprised mainly cinema equipment and leasehold improvements. Assets with a carrying amount of EUR 45 thousand were disposed of during the six months ended 30 June 2009 (six months ended 30 June 2008: EUR 285 thousand), resulting in a loss on disposal of EUR 29 thousand (six months ended 30 June 2008: a loss of EUR 48 thousand).

Note 13 – Investment properties

During the six months ended 30 June 2009, the Company made further construction with a cost of EUR 3,846 thousand (six months ended 30 June 2008: EUR 318 thousand).

Note 14 – Assets classified as held for sale

During the six months ended 30 June 2009, the Company sold its remaining interest in the Mall of Plovdiv to GE Real Estate and Quinlan Private (Ireland), the same parties that purchased the first 50% of the project about 2 years earlier. The sale transaction, for which the Company recorded revenue of EUR 23,028 thousand, was completed at the time of the Mall's opening in March 2009, resulting in a net transaction gain of EUR 10,066 thousand. Under the terms of the sale, the Company continues to hold a long-term lease for the 11 screen multiplex located in the Mall of Plovdiv, which also opened in March 2009.

Note 15 – Loans and borrowings

The following loans and borrowings (non-current and current) were issued and repaid during the six months ended 30 June 2009:

			EUR (thousands) – (unaudited)
	Currency	**Interest rate**	**Carrying amount**
Balance as at 1 January 2009			101,359
New issues:			
Secured bank loan	PLN	Wibor+2.75%	3,962
Secured bank loan	EUR	Libor+1.7%	7,087
Short term bank credit	NIS	2.4%	3,696
Repayments			
Secured bank loan	EUR		(20,800)
Secured bank loan	HUF		(180)
Secured bank loan	PLN		(970)
Short term bank credit	PLN		(1,044)
Secured bank loan	CZK		(215)
Translation and currency differences			(2,841)
Balance as at 30 June 2009			**90,054**

Note 16 – Income tax expense

Income tax expense is recognized 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 2009 is 10.7% (the estimated tax rate for the six months ended 30 June 2008 was 8.8%).

Note 17 – 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, a further total number of 105,000 options with an exercise price of PLN 25 each, vesting in 3 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. The weighted average exercise price of options outstanding (vested but not yet exercised and not expired) is EUR 5.1. The number of exercisable options at 30 June 2009 is 235,000.

The details of the number of options outstanding as at 30 June 2009 are as follows:

	Exercise prise	**Number of options**		
Vesting date		**Granted**	**Exercised**	**Outstanding**
6 December 2007	EUR 5.05	159,000	110,000	49,000
6 December 2008	EUR 5.05	159,000	-	159,000
6 December 2008	PLN 25	27,000	-	27,000
6 December 2009	EUR 5.05	159,000	-	159,000
6 December 2009	PLN 25	27,000	-	27,000
6 September 2010	PLN 25	51,000	-	51,000
		582,000	110,000	472,000

The weighted average fair value at grant date of options granted in 2006 using the Black-Scholes valuation model was approximately EUR 1 per option. The significant inputs into the model were a weighted average share price of EUR 5.05 at the grant date, the exercise price mentioned above, volatility of 20%, dividend yield of 0%, an option life of 4 years and an annual risk free rate of 4%. The weighted average fair value at grant date of options granted in 2008 using the Black-Scholes valuation model was approximately EUR 1.1 per option. The significant inputs into the model were a weighted average share price of PLN 20 at the grant date, the exercise price of PLN 25, volatility of 43%, dividend yield of 0%, an option life of 4 years and an annual risk free rate of 4%.
The impact of the share-based payment on the financial statements of the Company for the six months ended 30 June 2009 was an expense of EUR 47,000 (six months ended 30 June 2008: EUR 54,000) recognised in the income statement with a corresponding increase in equity. During the six months ended 30 June 2009 and during the year 2008 no options were forfeited.

Note 18 – Impairment losses and provisions

During the six months ended 30 June 2009, no impairment losses were charged.

Note 19 – Subsequent events

None