Cinema City International N.V.

Interim Management Report
for the nine months ended
30 September 2010

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DIRECTORS' REPORT

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 17 November 2010, the market share price was PLN 41.0 (EUR 10.40), giving the Company a market capitalisation of EUR 532.5 million. The Company's office is located in Rotterdam, the Netherlands.

Highlights during the nine months ended 30 September 2010

During the nine months ended 30 September 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 nine months of the prior year (which itself was also a strong nine-month period). Consolidated EBITDA increased from EUR 35.0 million for the nine months ended 30 September 2009 to EUR 44.5 million for the nine months ended 30 September 2010. Net income attributable to equity holders of the Company increased from EUR 18.9 million for the nine months ended 30 September 2009 to EUR 24.8 million for the nine months ended 30 September 2010.

The strong results were driven by a record nine months for the Company's movie theatre operations, which in itself was driven by a particularly strong first quarter, as previously reported, as the Company continued to ride the wave of the digital format and 3-D movie revolution. Tickets sales for the nine months ended 30 September 2010 grew by 19.1% compared to the same period in 2009, while "same store" ticket sales grew by 7.9% over the same period last year. Revenue for the nine months ended 30 September 2010 generated by movie theatre operations increased by 37.0% in comparison to the nine months ended 30 September 2009, also supported by higher average ticket prices, largely due to a higher percentage of 3-D movie tickets sold.

The results for the nine months ended 30 September 2010 are even more notable given that the results for the nine months ended 30 September 2009 included a gross profit of EUR 10.6 million from the sale of the Mall of Plovdiv in Bulgaria towards the end of March 2009 compared to a gross profit of EUR 3.0 million from the 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 nine months ended 30 September 2010 were also positively impacted by an increase in the value of the Central and Eastern European local currencies against the euro. During the nine months ended 30 September 2010, these currencies regained a portion of the devaluation against the euro that was recorded during 2009.

Theatre operations

The Company's strong theatre operations during the nine months ended 30 September 2010 were supported by a very well received supply of international movies, particularly those movies in the very popular 3-D format that continue to command premium pricing. 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 nine months of the year (though it had its primary impact during the first quarter of 2010). The Avatar success was quickly followed later in the first quarter by Alice *in Wonderland.* The premium priced 3-D version of these two movies was the most popular format and contributed significantly to our revenues during the first nine months of 2010.

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The second and third quarter of 2010 continued to show strong theatre operations results, with movies such as *Prince of Persia*, *Toy Story 3, Shrek Forever After*, *Inception*, *Twilight Eclipse* 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 at the beginning of the year.

During the third quarter of 2010, the Company's Israeli operations performed particularly well, with the two Planet Megaplexes operating in Israel delivering very strong results. Also, during the third quarter of 2010, the Company completed the acquisition of a land parcel for its third Planet Megaplex in Israel, in Reshon Letzion. Necessary zoning was obtained and construction is expected to commence in the next few months with expected opening in mid 2012. This third Planet project will also include the Company's first Imax screen to be opened in Israel.

In August 2010, the Company amended its 12-year old agreement with the Imax Corporation. The Company agreed to upgrade its existing 9 IMAX® theatres to incorporate the latest digital technology. In addition, Israel was added as the sixth territory for which the Company has exclusive development and exhibition rights for IMAX® theatres. The Company believes that the enhanced viewer experience associated with IMAX®'s big screen and big sound format will continue to be a very popular choice for the latest digital and 3-D movies.

The new screens which the Company had opened during the previous year, including three major projects in Budapest, Hungary, in Bucharest, Romania and in Krakow, Poland all of which were opened during the fourth quarter of 2009, had their first full nine months of operation during the nine months ended 30 September 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.

In the first quarter 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). During the third quarter of 2010, the Company opened a 10 screens multiplex in the city of Arad, Romania. The Company's total screen count as at 30 September 2010, following the net additions from the above openings and closing, is 687 (including 9 IMAX® theatres).

In the fourth quarter of 2010 to date, the Company already opened four new multiplexes: a 7 screen multiplex in Walbrzych, Poland, a 9 screen multiplex in Bytom, Poland, a 6 screen multiplex in Baia Mare, Romania and a 7 screen multiplex in Stara Zagora, Bulgaria.

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 220 digital projectors, and intends to install over 100 more of these projectors in its leading multiplexes through the end of August 2011. 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

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premium ticket pricing for these movies. Moreover, the fact that the Company continues to be 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), 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 3.0 million from the Bulgarian real estate sale during the nine months ended 30 September 2010, compared to a gross profit of EUR 10.6 million from the sale of Mall of Plovdiv during the nine months ended 30 September 2009.

Film distribution activities

Revenue generated by film distribution activities increased during the nine months ended 30 September 2010, compared to the nine months ended 30 September 2009, with EBITDA moving from negative to positive. This growth was driven mainly by the successful release of Disney's *"Alice in Wonderland", "Prince of Persia"* and several other successful Disney movies. The Company started movie distribution activity in Romania (during the first quarter 2010) in which it has become the exclusive sub-licensee of Walt Disney Motion Pictures International Distribution. The Company is also the exclusive sub-licensee of Walt Disney in Poland, Israel, Hungary and Bulgaria. As of July 2010 the Company became a sub-licensee of UIP (Paramount and Universal) for Bulgaria in addition to being sub-licensee for Disney and some other independent products.

In September 2010, the Company's Israeli film distribution subsidiary, Forum Film Israel, closed an agreement with the Israeli film distributor, A.D. Matalan, under which Forum Film will act as sub-distributor for Sony and Fox movies in Israel. This is in addition to Forum Film's current activity, which is mainly related to exclusive distribution of Disney pictures in Israel. The first movie to be distributed by Forum Film under this arrangement is the latest installment of the *Chronicles of Narnia 3-D*, to be released in December this year.

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Overview of results

The Company's net income attributable to equity holders of the parent company for the nine months ended 30 September 2010 was EUR 24.8 million and can be summarized as follows:

	For the nine months ended 30 September 2010	2009 [1]
	EUR (thousands, except per share data)	
Continuing operations [2]		
Revenues from cinema related operations	177,980	130,171
Costs from cinema related operations	126,918	98,418
Gross result from cinema related operations	51,062	31,753
Revenues from the sale of real estate	91,212	23,028
Cost of real estate sold	88,170	12,417
Gross result from sale of real estate	3,042	10,611
Total gross result	54,104	42,364
General and administrative expenses	9,596	7,354
EBITDA [3]	44,508	35,010
Depreciation and amortisation	14,544	11,653
Operating profit	29,964	23,357
Financial income	606	912
Financial expenses	(2,310)	(2,652)
Gain on disposals and write-off of other investments	9	28
Operating income before taxation	28,269	21,645
Income taxes	(3,494)	(1,882)
Net income from continuing operations	24,775	19,763
Loss from discontinued operations	(101)	(1,299)
Net income before minority interests	24,674	18,464
Non controlling interests	148	458
Net income attributable to equity holders of the company	24,822	18,922
Weighted average number of equivalent shares (basic)	51,034,140	50,834,000
Weighted average number of equivalent shares (diluted)	51,093,140	50,834,000
Net earnings per ordinary share of EUR 0.01 each (basic and diluted)	0.49	0.37

[1] Reclassified to show the discontinued DVD distribution business separately from the continuing operations.

[2] In order to allow the reader to more easily compare these nine-month results to last year's nine-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 nine months ended 30 September 2009 have been presented accordingly.

[3] 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

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Revenues

Total revenues from cinema related operations(which include theater operation revenues, distribution operation revenues and other operation revenues) increased by 36.7% from EUR 130.2 million during the nine months ended 30 September 2009 to EUR 178.0 million during the nine months ended 30 September 2010.

Theatre operating revenues increased by 37.0% from EUR 119.4 million during the nine months ended 30 September 2009 to EUR 163.7 million during the nine months ended 30 September 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 and in the first nine months of 2010, 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 increased by 44.1% from EUR 8.9 million during the nine months ended 30 September 2009 to EUR 12.8 million during the nine months ended 30 September 2010. The increase resulted due to a successful first nine months in all territories of film distribution activities, explained mainly by a good supply of movies in Poland, an increase in the Company's film distribution activities in Israel and Bulgaria and the opening of a new distribution division in Romania.

Other revenues from cinema related operations, decreased from EUR 1.9 million during the nine months ended 30 September 2009 to EUR 1.5 million during nine months ended 30 September 2010.

Total revenues from the sale of real estate increased by 296.1% from EUR 23.0 million during the nine months ended 30 September 2009 to EUR 91.2 million during the nine months ended 30 September 2010. The significant increase in revenues for the first nine months 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 29.0% from EUR 98.4 million during the nine months ended 30 September 2009 to EUR 126.9 million during the nine months ended 30 September 2010. 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 decreased to 70.3% for the nine month ended 30 September 2010, from 74.3% for the nine months ended 30 September 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 89.3% for the nine months ended 30 September 2010, from 97.5% for the nine months ended 30 September 2009.

Costs relating to real estate sold increased from EUR 12.4 million for the nine months ended 30 September 2009 to EUR 88.2 million for the nine months ended 30 September 2010. The significant increase is primarily attributable to the cost of the Company's Bulgarian real estate assets sold to Israel Theatres, Ltd. in April 2010.

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General and administrative expenses

General and administrative expenses increased by 30.5% from EUR 7.4 million for the nine months ended 30 September 2009 to EUR 9.6 million during the nine months ended 30 September 2010. The increase is mainly explained by the higher 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, and by the strengthening of local currencies in the countries of operations compared to the euro.

EBITDA

As a result of the factors described above, the earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 27.1% from EUR 35.0 million for the nine months ended 30 September 2009 to EUR 44.5 million for the nine months ended 30 September 2010.

Depreciation and amortisation

Depreciation and amortisation expenses increased by 24.8% from EUR 11.7 million for the nine months ended 30 September 2009 to EUR 14.5 million for the nine months ended 30 September 2010. This increase is explained mainly by the depreciation of newly opened theatres during 2009 and in the first nine months of 2010, 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 28.3% from EUR 23.4 million during the nine months ended 30 September 2009 to EUR 30.0 million during the nine months ended 30 September 2010.

Financial income/expenses

The balance of financial income and expenses remained at a similar level (a net expense of approximately EUR 1.7 million) for the nine months ended 30 September 2010 and 30 September 2009.

The balance of financial income and expenses for the three months ended 30 September 2010 resulted in a net income of EUR 0.3 million compared to a net expense of EUR 0.2 million during the three months ended 30 September 2009. Both quarters were positively impacted by exchange rate differences, while the decrease in bank loans and credit following the sale of real estate activities has also resulted in a decrease in financial expenses during the third quarter of 2010.

Non-controlling interest

The non-controlling interest for the nine months ended 30 September 2010 and 30 September 2009 comprises the share of minority shareholders in losses from subsidiaries that are not 100% owned by the Company (EUR 0.1 million and EUR 0.4 million, respectively).

Net income

As a result of the factors described above, the Company's net income attributable to equity holders of the parent company increased by 31.2% from EUR 18.9 million during the nine months ended 30 September 2009 compared to net income of EUR 24.8 million during the nine months ended 30 September 2010.

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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
2010 (nine months ended 30 September)	4.002	3.836	4.177	3.987
2009 (nine months ended 30 September)	4.380	3.917	4.900	4.223

Source: National Bank of Poland ("NBP")

Selected financial data	EUR		PLN	
	(thousands, except per share data)			
	For the nine months ended 30 September			
	2010	2009	2010	2009
Revenues from cinema related operations	177,980	130,171	712,276	570,149
Revenue from the sale of real estate	91,212	23,028	365,030	100,863
Operating profit	29,964	23,357	119,916	102,304
Income before taxation	28,269	21,645	113,133	94,805
Net income attributable to equity holders of the parent company	24,822	18,922	99,338	82,878
Cash flows from operating activities	42,019	29,707	168,160	130,117
Cash flows from (used in) investment activities	19,545	(27,683)	78,219	(121,252)
Cash flows used in financing activities	(75,203)	(420)	(300,962)	(1,840)
(Decrease)/ increase in cash and cash equivalents	(13,020)	1,489	(52,106)	6,522
Total assets	286,217	311,762	1,141,147	1,316,571
Provisions	6,250	6,633	24,919	28,011
Long-term liabilities (including provisions)	30,548	88,972	121,795	375,729
Current liabilities	45,304	49,737	180,627	210,039
Shareholders' equity	214,862	176,907	856,655	747,078
Share capital	512	508	2,041	2,145
Average number of equivalent shares	51,034,140	50,834,000	51,034,140	50,834,000
Average number of equivalent shares (diluted)	51,093,140	50,834,000	51,093,140	50,834,000
Net earnings per ordinary share (basic and diluted)	0.49	0.37	1.96	1.62

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 *

The first nine months of 2010 have 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 third quarter results, while still impressive by historical standards and very strong when compared to the same three-month period of the previous year, were still predictably less robust than the first quarter of the year that was driven in large part by the by *Avatar* and *Alice in Wonderland.* Meanwhile, management believes that the movie pipeline for the remainder of the year remains positive, and should be supported by several sequels with strong past performances, such as *Harry Potter 7* (the first part of the latest instalment of the Harry Potter series), *Chronicles of Narnia Part 3* (in 3D), *Paranormal Activity 2*, *Saw 3D* alongside with promising new productions including *Tangled 3D*, *Megamind 3D*, *The Next Three Days* and *Tron: Legacy 3D*.

The movie pipeline for 2011 comprises a number of big sequel titles like Pirates of the Caribbean 4 3D, Twilight 4 3D, Kong Fu Panda 2 3D, Cars 2 3D, Transformers 3 3D, as well as many new titles including domestic production. In Poland we expect the first Polish mega production in 3D Bitwa Warszawska 1920. The Company expects a greater number of 3D productions compared to 2010, which can positively impact the cinema going and average ticket prices in all markets.

In October and November 2010, the Company opened four new cinemas:

1. Cinema City Galeria Victoria in Walbrzych, Poland. The cinema has 7 screens and 1622 seats. Three digital projectors are installed in this cinema. Walbrzych is a city of 120,000 inhabitants and the multiplex is located in the most modern shopping gallery in the region. Cinema City in Walbrzych is the only multiplex cinema in the region.
2. Cinema City Galleria in Stara Zagora, Bulgaria. The cinema has 7 screens and 1340 seats and this is the first multiplex in the city. Four digital projectors are installed in this cinema. Stara Zagora has 150,000 inhabitants.
3. Cinema City Gold Plaza in Baia Mare, Romania. The cinema has 6 screens and 1 775 seats and is equipped with three digital projectors. Baia Mare has 140,000 inhabitants. Cinema City Gold Plaza is the only multiplex in the city.
4. Cinema City Agora in Bytom, Poland. The multiplex has 9 screens and 1522 seats and is equipped with three digital projectors. Bytom has 180,000 inhabitants and it is part of an area with a population of approximately 3.5 million people.

The Company expects to open a cinema in the shopping mall Mall Rousse in Ruse, Bulgaria before the end of the year. The Cinema City in Mall Rousse will have 10 screens and 1842 seats. Following these opening, the Company's screen count will reach 726 in 75 cinemas including 64 new screens opened during 2010. Currently, the Company has two openings scheduled for the first 6 months of 2011. Both openings will be in Romania, and will include a 10 screen multiplex in Turgo Mures, and 12 screen multiplex in Braila. Overall the Company expects to open between 9 to 10 new multiplexes comprising between 80 to 90 new screens during 2011, mainly in Romania.

Following the cinema openings in 2010, the Company will continue to have binding commitments for an additional 34 sites (representing approximately 350 screens) including 26 sites with approximately 250 screens in Romania, and has entered into 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

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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.

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 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.

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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 nine months ended 30 September 2010 (19 November 2010), the following shareholders are entitled to exercise over 5% of voting rights at the General Meeting of Shareholders in the Company:

	As of 19 November 2010 Number of shares/ % of shares [(1)]	**Increase/ (decrease) Number of shares**	**As of 30 September 2010 Number of shares/ % of shares**[(1)]	**Increase/ (decrease) Number of shares**	**As of 31 December 2009 Number of shares/ % of shares**
I.T. International Theatres Ltd. [(2)]	27,589,996 / 53.89%	-	27,589,996 / 53.89%	(5,120,000)	32,709,996 / 64.35%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK[(3)]	5,004,326 / 9.77%	(411,321)	5,415,647 / 10.58%	(1,082,810)	6,498,457 / 12.78%
Aviva Investors Poland SA [(4)]	2,998,479 / 5.86%	-	2,998,479 / 5.86%	n.a.	n.a.
BZ WBK TFI SA[(5)]	2,661,049 / 5.20%	-	2,661,049 / 5.20%	-	2,661,049 / 5.23%
BZ WBK AIB Asset Management S.A.[(5)]	n.a.	-	n.a.	-	2,542,345 / 5.00%
ING Nationale-Nederlanden Polska Otwarty Fundusz Emerytalny [(6)]	n.a.	-	n.a.	n.a.	2,700,000 / 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 22 September 2010 I.T. International Theatres Ltd sold 5, 120, 000 shares of the Company in negotiated order deals during the trading session on the Warsaw Stock Exchange to a number of institutional investors. The transaction is described in the current report no 25/2010.

(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%. In addition, on 25 October 2010, the Company was notified by the shareholder that the number of shares held in the Company had decreased to 5,004,326 shares. 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 30 September 2010 and as at 19 November 2010, to the extent known to the Company.

(4) On 29 September 2010, the Company was notified by Aviva Investors Poland S.A. that the number of shares held in the Company by the jointly managed shareholders had increased to over 5%. The position presented in the table above presents the ultimate holding of the shareholders as at 30 September 2010 and as at 19 November 2010, to the extent known to the Company.

(5) 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').

(6) 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%.

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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 nine months ended 30 September 2010 and in the year to the date of publication of the report

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

	As of 19 November 2010 Number of shares/ % of shares	Increase/ (decrease) Number of shares	As of 30 September 2010 Number of shares/ % of shares	Increase/ (decrease) Number of shares	As of 31 December 2009 Number of shares/ % of shares
Moshe Greidinger*	9,586,130 / 18.72%	-	9,586,130 / 18.72%	(2,017,249)	11,603,379 / 22.83%
Amos Weltsch	None	-	None	-	None
Israel Greidinger*	9,586,130 / 18.72%	-	9, 586,130 / 18.72%	(2,017,249)	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. On 22 September 2010, I.T. International Theatres Ltd. sold 5,120, 000 shares of the Company in negotiated order deals during the trading session on the Warsaw Stock Exchange to a number of institutional investors. The transaction is described in the current report no 25/2010. The decrease in the number of shares during the first nine months of 2010 shown above reflects the indirect interest held by Messrs Moshe and Israel Greidinger in the sale of shares by I.T. International Theatres Ltd.

Rights to shares

The members of the Management Board did not own or receive any rights to shares in the Company during the period 31 December 2009 until 19 November 2010.

Changes in ownership of shares and rights to shares by Supervisory Board members in the nine months ended 30 September 2010 and in the year to 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 November 2010.

Changes in the composition of the Supervisory Board

None

DIRECTORS' REPORT

Additional information to the report (cont'd)

Other
As of 30 September 2010, the Group has issued guarantees for loans that in total amount to EUR 12 million and PLN 188.5 (EUR 47.4) million in connection with loans provided to subsidiaries.
As of 30 September 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 nine months ended 30 September 2010 :

- a decrease in the provision for deferred tax liabilities of EUR 429,000 (a decrease of EUR 269,000 during the 3 months ended 30 September 2010);
- an increase in the provision for accrued employee retirement rights of EUR 29,000 (a decrease of EUR 35,000 during the 3 months ended 30 September 2010);
- a decrease in the provision related to onerous lease contracts of EUR 349,000 (no movement during the 3 months ended 30 September 2010).

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, 19 November 2010

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 September 2010 (Unaudited)	30 June 2010 (Unaudited)	31 December 2009 (Audited*)	30 September 2009 (Unaudited)
	EUR (thousands)			
ASSETS				
FIXED ASSETS				
Intangible fixed assets	**819**	**** 666**	** 689	** 738
Property and equipment	**226,939**	**** 208,721**	** 202,112	** 192,054
Investment properties	**-**	**-**	42,281	35,798
Other non-current assets	**1,715**	**1,969**	2,571	**2,302
Total fixed assets	**229,473**	**211,356**	247,653	230,892
CURRENT ASSETS				
Inventories	**4,535**	**4,407**	5,082	5,364
Trade and other receivables	**41,851**	**40,722**	34,735	**28,728
Assets classified as held for sale	**-**	**-**	37,924	31,307
Other current financial assets	**634**	**1,683**	1,665	**1,776
Cash and cash equivalents	**9,397**	**10,588**	22,417	13,269
Short term bank deposits – collateralized	**327**	**326**	210	325
Short term bank deposits	**-**	**-**	-	101
Total current assets	**56,744**	**57,726**	102,033	80,870
TOTAL ASSETS	**286,217**	**269,082**	349,686	311,762
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY	**214,862**	**203,728**	183,796	176,907
Minority interests	**(4,497)**	**(4,779)**	(3,987)	(3,854)
LONG-TERM LIABILITIES				
Long-term loans, net of current portion	**19,722**	**22,472**	93,620	80,082
Provisions	**6,250**	**6,554**	6,999	6,633
Other long-term liabilities	**4,576**	**4,781**	5,022	2,257
Total long-term liabilities	**30,548**	**33,807**	105,641	88,972
CURRENT LIABILITIES				
Short-term bank credit	**15,150**	**8,634**	12,545	19,324
Other current liabilities	**30,154**	**27,692**	51,691	30,413
Total current liabilities	**45,304**	**36,326**	64,236	49,737
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**286,217**	**269,082**	349,686	311,762

* Extracted from the 2009 Annual Accounts.

** Reclassified for comparison purposes.

CONDENSED CONSOLIDATED INCOME STATEMENT

	For the 9 months ended 30 September 2010 (Unaudited)	For the 3 months ended 30 September 2010 (Unaudited)	For the 9 months ended 30 September 2009 (Unaudited*)	For the 3 months ended 30 September 2009 (Unaudited*)
	EUR (thousands)			
Continuing operations				
Revenues from cinema related operations **	**177,980**	**61,586**	130,171	49,810
Operating costs from cinema related operations **	**141,462**	**50,207**	110,071	42,471
Gross margin from cinema related operations	**36,518**	**11,379**	20,100	7,339
Revenue from the sale of real estate **	**91,212**	**-**	23,028	-
Operating costs of real estate sold **	**88,170**	**45**	12,417	*** (545)
Gross margin from sale of real estate	**3,042**	**(45)**	10,611	545
Total revenues	**269,192**	**61,586**	153,199	49,810
Total operating costs	**229,632**	**50,252**	122,488	41,926
Total gross margin	**39,560**	**11,334**	30,711	7,884
General and administrative expenses	**9,596**	**3,092**	7,354	1,739
Operating profit	**29,964**	**8,242**	23,357	6,145
Financial income	**606**	**206**	912	496
Financial expenses	**(2,310)**	**45**	(2,652)	(682)
Gain/(loss) on disposals and write-off of other investments	**9**	**29**	28	17
Operating income before taxation	**28,269**	**8,522**	21,645	5,976
Income tax expense	**(3,494)**	**(1,142)**	(1,882)	(391)
Net income from continuing operations	**24,775**	**7,380**	19,763	5,585
Discontinued operations				
Loss from discontinued operations (see Note 6)	**(101)**	**(32)**	(1,299)	(656)
Net income for the period	**24,674**	**7,348**	18,464	4,929
Attributable to:				
Equity holders of the parent company	**24,822**	**7,289**	18,922	5,074
Non-controlling interest related to continued operations	**(144)**	**60**	(421)	(136)
Non-controlling interest related to discontinued operations	**(4)**	**(1)**	(37)	(9)
Net income for the period	**24,674**	**7,348**	18,464	4,929

* Reclassified to show the discontinued operation of DVD distribution business (see Note 6).

** In order to allow the reader to more easily compare these nine months results to last year's nine months 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 nine months ended 30 September 2009 have been presented accordingly.

*** During the 3 months ended 30 September 2009, the Company had satisfied it outstanding obligations regarding the sale of the Mall of Plovdiv for which it had previously accrued costs on a prudently estimated basis, which resulted in a release of accrued costs during the third quarter.

CONDENSED CONSOLIDATED INCOME STATEMENT

	For the 9 months ended 30 September 2010 (Unaudited)	For the 3 months ended 30 September 2010 (Unaudited)	For the 9 months ended 30 September 2009 (Unaudited*)	For the 3 months ended 30 September 2009 (Unaudited*)
	EUR (thousands, except per share data and number of shares)			
Net income for the period	**24,674**	**7,348**	18,464	4,929
Earnings per share				
Weighted average number of equivalent shares (basic)	**51,034,140**	**51,200,000**	50,834,000	50,834,000
Weighted average number of equivalent shares (diluted)	**51,093,140**	**51,259,000**	50,834,000	50,852,684
Net earnings per share for profit attributable to the owners of the company (basic and diluted)	**0.49**	**0.14**	0.37	0.10
Net earnings per share for profit from continuing operations attributable to the owners of the company (basic and diluted)	**0.49**	**0.14**	0.37	0.10

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	For the 9 months ended 30 September 2010 (Unaudited)	For the 3 months ended 30 September 2010 (Unaudited)	For the 9 months ended 30 September 2009 (Unaudited)	For the 3 months ended 30 September 2009 (Unaudited)
	EUR (thousands)			
Balance as of the beginning of the period	**183,796**	**203,728**	160,026	165,632
Issue of new shares	**1,771**	**-**	-	-
Share based payment	**47**	**16**	70	23
Net income for the period	**24,822**	**7,289**	18,922	5,074
Foreign currency translation adjustment	**5,319**	**4,703**	(1,147)	7,033
Effective portion in fair value of cash flow hedges	**(893)**	**(874)**	(964)	(855)
Balance at the end of the period	**214,862**	**214,862**	176,907	176,907

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the 9 months ended 30 September 2010 (Unaudited)	For the 3 months ended 30 September 2010 (Unaudited)	For the 9 months ended 30 September 2009 (Unaudited)	For the 3 months ended 30 September 2009 (Unaudited)
	EUR (thousands)			
Cash flows from operating activities	**42,019**	**14,229**	29,707	9,440
Cash flows from (used in) investing activities	**19,545**	**(16,165)**	(27,683)	(18,833)
Cash flows (used in) / from financing activities	**(75,203)**	**509**	(420)	8,026
Foreign currency exchange differences on cash	**619**	**236**	(115)	207
(decrease) / Increase in cash and cash equivalents	**(13,020)**	**(1,191)**	1,489	(1,160)
Cash and cash equivalents at the beginning of the period	**22,417**	**10,588**	11,780	14,429
Cash and cash equivalents at the end of the period	**9,397**	**9,397**	13,269	13,269

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 September 2010, 53.89% 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 nine months ended 30 September 2010 comprise the Company and its subsidiaries and joint ventures (together referred to as "the Group") and the Group's interest in associates.

Note 2 – Summary of significant accounting policies

A. Basis of preparation

Except as described the Company's Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2010, 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.

The 30 September 2010 Condensed Consolidated Interim Financial Statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited 2009 Annual Accounts which have been prepared in accordance with International Financial Reporting Standards (IFRS) and in conjunction with the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2010 which have been prepared in accordance with IAS 34 Interim Financial Reporting.

The Consolidated Financial Statements of the Group for the year ended 31 December 2009 and the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2010 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 2 – Summary of significant accounting policies (cont'd)

B. The use of estimates and judgements

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

C. 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 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 average exchange rate for the period. Foreign exchange differences arising on translation have been recognised directly in equity.

D. Principles of consolidation

These Condensed unaudited Consolidated Financial Statements include the accounts of the Company, its subsidiaries, and jointly controlled entities. Subsidiaries are those enterprises which are controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control effectively commences until the date that control effectively ceases. Jointly controlled entities are those enterprises over whose activities the Company has joint control, established by contractual agreements.

All inter-company accounts and transactions are eliminated when preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Note 2 – Summary of significant accounting policies (cont'd)

E. Exchange rates

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

	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 September 2010	**24.61**	**276.99**	**3.98**	**1.36**	**4.99**	**4.28**
31 December 2009	26.42	272.65	4.14	1.43	5.44	4.25
30 September 2009	25.22	270.27	4.22	1.46	5.51	4.21
Change during the period	**%**	**%**	**%**	**%**	**%**	**%**
2010 (9 months)	**(6.85)**	**1.59**	**(3.86)**	**(4.90)**	**(8.27)**	**0.71**
2009 (12 months)	(0.83)	1.89	(0.24)	1.42	2.64	5.20
2009 (9 months)	(5.33)	1.00	1.69	3.55	3.96	4.21

	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)**
2010 (9 months)	**25.50**	**275.79**	**4.01**	**1.32**	**4.96**	**4.20**
2009 (12 months)	26.48	281.15	4.34	1.39	5.47	4.25
2009 (9 months)	26.65	284.32	4.39	1.37	5.44	4.24
Change during the period	**%**	**%**	**%**	**%**	**%**	**%**
2010 (9 months)	**(3.70)**	**(1.91)**	**(7.60)**	**(5.04)**	**(9.32)**	**(1.18)**
2009 (12 months)	5.96	11.38	23.30	(5.44)	3.99	14.86
2009 (9 months)	6.66	12.63	24.72	(6.80)	3.42	14.59

	Exchange rate of euro					
Average for the quarter ended 30 September	**Czech Crown (CZK)**	**Hungarian Forint (HUF)**	**Polish Zloty (PLN)**	**US Dollar (USD)**	**Israeli Shekel (NIS)**	**Romania New Lei (RON)**
2010	**24.97**	**283.01**	**4.02**	**1.29**	**4.90**	**4.27**
2009	25.64	272.08	4.21	1.43	5.48	4.24
Change quarter over quarter	**%**	**%**	**%**	**%**	**%**	**%**
2010	**(2.61)**	**4.02**	**(4.51)**	**(9.79)**	**(10.58)**	**0.71**
2009	6.39	15.01	27.19	(5.30)	4.18	17.78

* 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 3 – Changes in Consolidated Entities

Changes in consolidated and associated entities during the first nine 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 the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2010.

Note 4 – 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 September 2010, the Company has hedged some of its USD and EUR expenses through September 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 September 2010 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 5 – 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 September 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 the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2010, 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 September 2010, the Group has issued guarantees for loans for a total amount of EUR 12.0 million and PLN 188.5 million (EUR 47.4 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 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.

Note 6 – 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 September 2009, the relevant comparative amounts in the consolidated income statement have been reclassified to show the discontinued operations separately from continuing operations.

Note 7 - 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).
- Other- this includes the Company's cinema related real estate activities and the sale of real estate.

	For the nine months ended 30 September 2010 EUR (thousands) – (unaudited)							
	Theatre operations	**Distribution**	**DVD distri-bution (discon--tinued)**	**Other**	**Elimi-nations**	**Conso-lidated**	**Less: DVD distri-bution (discon-tinued)**	**Conti-nuing operations**
Revenues								
External sales	163,686	12,761	2,553	92,745		271,745	2,553	269,192
Inter-segment sales	472	9,267	-	-	(9,739)	-	-	-
Total revenues	164,158	22,028	2,553	92,745	(9,739)	271,745	2,553	269,192
Segment results	26,788	305	102	2,871	-	30,066	102	29,964
Net financial expense						(1,781)	(77)	(1,704)
Gain and loss on disposals						38	29	9
Income taxes						(3,649)	(155)	(3,494)
Non controlling interests						148	4	144
Net income						24,822	(97)	24,919

	30 September 2010 EUR (thousands) – (unaudited)					
	Theatre operations	**Distribution**	**DVD distribution (discontinued)**	**Other**	**Unallocated**	**Consolidated**
Segment assets	261,126	5,099	676	17,601	1,715	286,217
Segment liabilities	27,900	4,597	2,695	154	40,506	75,852
Capital expenditure	31,546	260	-	4,511	-	36,317

Note 7 - Segment Reporting (cont'd)

	For the nine months ended 30 September 2009 * EUR (thousands) – (unaudited)							
	Theatre operations	**Distribution**	**DVD distri-bution (discon--tinued)**	**Other**	**Elimi-nations**	**Conso-lidated**	**Less: DVD distri-bution (discon-tinued)**	**Conti-nuing operations**
Revenues								
External sales	119,441	8,853	2,813	24,905	-	156,012	2,813	153,199
Inter-segment sales	293	5,147	528	-	(5,968)	-	-	-
Total revenues	119,734	14,000	3,341	24,905	(5,968)	156,012	2,813	153,199
Segment results	13,963	(526)	(963)	9,920	-	22,394	(963)	23,357
Net financial expense						(1,846)	(106)	(1,740)
Gain and loss on disposals						(25)	(53)	28
Income taxes						(2,059)	(177)	(1,882)
Non controlling interests						458	37	421
Net income						18,922	(1,262)	20,184

	30 September 2009* EUR (thousands) – (unaudited)					
	Theatre operations	**Distribution**	**DVD distribution (discontinued)**	**Other**	**Unallocated**	**Consolidated**
Segment assets	217,533	9,186	2,305	80,958	1,780	311,762
Segment liabilities	19,886	3,696	2,434	7,791	104,902	138,709
Capital expenditure	22,620	112	13	6,576	-	29,321

* reclassified for comparison purposes

Note 8 – Related party transactions

There were no material transactions and balances with related parties during the nine months ended 30 September 2010 other than were already disclosed in 2009 annual accounts and the sale of the Bulgarian real estate projects in April 2010 which is described on page 3 of this report and the issue of 341,000 new shares in May 2010. As described on page 11 (footnote to "Changes in ownership of shares and rights to shares by Management Board members"), on 11 May 2010, the Company issued 341,000 new ordinary shares to I.T. International Theatres Ltd to facilitate the exercise of share options granted in prior years to employees.

Note 9 – 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. For details of the Plan, reference is made to the Consolidated Financial Statements of the Group for the year ended 31 December 2009 and the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2010. No new options were granted to employees during for the nine months ended 30 September 2010.
In February 2010, a total number of 25,000 options that were granted in 2006, were exercised. The average share price at the time of exercise was PLN 36.05. In April 2010, a further 341,000 options were exercised. 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 5.58. The number of exercisable options at 30 September 2010 is 75,666.
The impact of the share-based payments on the financial statements of the Company for the nine months ended 30 September 2010 was an expense of EUR 47,000 (nine months ended 30 September 2009: EUR 70,000) recognised in the income statement with a corresponding increase in equity. During the nine months ended 30 September 2010 and during the year 2009 no options were forfeited.

Note 10 – Impairment losses and provisions

During the nine months ended 30 September 2010, no impairment losses were charged.

Note 11 – Subsequent events

None