CITY INTERACTIVE Group

Consolidated Quarterly Report

for the First Quarter of 2010

17 May 2010

CONSOLIDATED FINANCIAL DATA FOR CITY INTERACTIVE GROUP

CONSOLIDATED BALANCE SHEET as at 31 March 2010		PLN			
ASSETS		As at 31 March 2010	As at 31 March 2009	As at 31 March 2009	As at 31 December 2009
			before transition	after transition	
A	**NON-CURRENT ASSETS**	**14 831 955**	**17 827 343**	**18 359 227**	**14 961 573**
	Property, plant and equipment	426 315	1 194 380	1 194 380	591 118
	Intangible assets	11 053 228	15 460 227	15 460 227	10 272 088
	Goodwill	0	8 868	8 868	0
	Investment property	0	0	0	0
	Interests in subsidiaries	13 904	0	0	0
	Non-current assets held for sale	0	0	0	0
	Deferred income tax assets	3 338 508	1 163 868	1 695 752	4 098 367
	Other non-current assets	0		0	
B	**CURRENT ASSETS**	**23 750 088**	**28 853 585**	**28 853 585**	**20 751 572**
	Inventory	5 210 154	4 720 020	4 720 020	5 518 499
	Prepayments	0	0	0	0
	Short-term investments	72 998	1 958 877	1 958 877	76 845
	Trade receivables	13 719 762	21 378 122	21 378 122	10 949 158
	Deferred tax receivables	386 604	0	0	386 604
	Cash and cash equivalents	1 258 581	614 484	614 484	1 421 692
	Other current assets	3 101 989	182 081	182 081	2 398 773
TOTAL ASSETS		**38 582 043**	**46 680 928**	**47 212 812**	**35 713 145**

CONSOLIDATED BALANCE SHEET

as at 31 March 2010 **PLN**

EQUITY AND LIABILITIES	As at 31 March 2010	As at 31 March 2009	As at 31 March 2009	As at 31 December 2009
A EQUITY				
Issued capital	1 265 000	1 254 000	1 254 000	1 265 000
Share premium	20 555 689	20 456 689	20 456 689	20 555 689
Capital from an incentive scheme	293 675	0	0	293 675
Revaluation provision	0	0	0	0
Own shares	0	0	0	0
Equity elements relating to available-for-sale assets	0	0	0	0
Exchange differences on net investments in entities operating abroad	43 989	-320 732	-320 732	92 465
Retained earnings	-1 605 725	11 472 648	9 205 143	-4 510 573
Equity attributable to the parent company	**20 552 628**	**32 862 605**	**30 595 100**	**17 696 257**
Equity attributable to non-controlling interests	0	0	0	0
Total equity	**20 552 628**	**32 862 605**	**30 595 100**	**17 696 257**
B LIABILITIES				
Borrowings	0	0	0	0
Provision for pensions and similar	31 443		0	9 410
Finance lease liabilities	39 811	225 214	225 214	86 851
Other long-term provisions	0	0	1 431 014	0
Deferred income tax provision	64 233	123 634	123 634	146 205
Total non-current liabilities	**135 488**	**348 848**	**1 779 862**	**242 467**
Borrowings	7 500 130	3 546 136	3 546 136	7 243 040
Income tax liabilities	0	0	0	0
Trade and other payables	9 893 028	9 822 823	9 822 823	9 088 043
Other current provisions	500 770	100 516	1 468 890	1 443 339
Total current liabilities	**17 893 927**	**13 469 475**	**14 837 849**	**17 774 422**
Total liabilities	**18 029 415**	**13 818 323**	**16 617 712**	**18 016 888**
TOTAL EQUITY AND LIABILITIES	**38 582 043**	**46 680 928**	**47 212 811**	**35 713 145**

Book value in PLN	20 552 628	32 862 605	30 595 100	17 696 257
Number of shares	12 650 000	12 540 000	12 540 000	12 650 000
Book value per share	1.62	2.62	2.44	1.40

CONSOLIDATED PROFIT AND LOSS STATEMENT
for the period from 1 January 2010 to 31 March 2010
Multiple-step format

PLN

Details	For the period 01/01 - 31/03/2010	For the period 01/01 - 31/03/2009	For the period 01/01 - 31/12/2008	For the period 01/01 - 31/12/2009
Continuing operations		before transition	after transition	
Net revenue from sale	**11 426 406**	**9 298 925**	**10 014 356**	**29 600 168**
Revenue from sale of products and services	11 332 438	8 980 428	9 695 859	28 989 602
Revenue from sale of goods for resale and materials	93 968	318 497	318 497	610 566
Costs of products, goods for resale and services sold	**4 749 442**	**4 700 706**	**4 700 706**	**21 373 160**
Costs of manufacture of products sold	4 697 986	4 517 691	4 517 691	21 039 799
Value of goods for resale and materials sold	51 456	183 015	183 015	333 361
Gross profit (loss) on sales (A - B)	**6 676 964**	**4 598 219**	**5 313 650**	**8 227 008**
Other operating revenues	5 296	9 926	9 926	726 555
Distribution costs	1 164 258	1 176 620	2 096 727	9 940 766
Administrative expenses	807 236	4 238 920	3 318 814	4 624 579
Other operating costs	161 505	141 273	141 273	9 430 466
Profit (loss) on operating activities	**4 549 261**	**-948 669**	**-233 238**	**-15 042 249**
Finance income	1 566	411 648	411 648	234 461
Finance costs	628 736	131 371	131 371	890 696
Profit (loss) before tax	**3 922 091**	**-668 392**	**47 039**	**-15 698 484**
Income tax	624 833	-610 579	-474 647	-3 027 443
Profit (loss) on continuing operations	**3 297 258**	**-57 813**	**521 686**	**-12 671 041**
Discontinued operations				
Loss on discontinued operations				
NET PROFIT (LOSS)	**3 297 258**	**-57 813**	**521 686**	**-12 671 041**
Net profit (loss)	**3 297 258**	**-57 813**	**521 686**	**-12 671 041**
Weighted average number of ordinary shares	**12 650 000**	**12 540 000**	**12 540 000**	**12 650 000**
Profit (loss) per ordinary share (in PLN)	**0.26**	**0.00**	**0.04**	**-1.00**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	For the period from 1 January 2010 to 31 March 2010	For the period from 1 January 2009 to 31 March 2009	For the period from 1 January 2009 to 31 December 2009
Net profit / loss for the year	**3 297 258**	**521 686**	**-12 671 041**
Other total gross comprehensive income:			
Exchange differences on translating foreign operations	-48 476	-110 485	302 712
Available-for-sale financial assets	0	0	
Cash flow hedges (gross including tax)	0	0	0
Gain on revaluation of properties	0	0	0
Actuarial gains / losses on defined benefit plans	0	0	0
Share of total other profits of associates	0	0	0
Income tax on elements of other total income	0	0	0
Other comprehensive income after tax (net, in accordance with the balance sheet)	-48 476	-110 485	302 712
Total comprehensive income	**3 248 782**	**411 201**	**-12 368 328**
Total comprehensive income attributable to:			
% of shares in the parent company attributable to:	*100%*	*100%*	*100%*
owners of the parent company	3 248 782	411 201	-12 368 328
non-controlling interests	0	0	0
Total	**3 248 782**	**411 201**	**-12 368 328**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 1 January to 31 March 2010

PLN

	STATEMENT OF CHANGES IN EQUITY	Issued capital	Share premium	Revaluation provision	Retained earnings	Unregistered capital	Net investments in foreign undertakings	Total equity
1.	**Balance as at 1 January 2009**	**1 254 000**	**20 456 689**	**0**	**8 683 456**	**0**	**-210 247**	**30 183 899**
2.	Changes in the accounting principles (policies)							0
3.	**Balance as at 1 January 2009 after transition**	**1 254 000**	**20 456 689**	**0**	**8 683 456**	**0**	**-210 247**	**30 183 899**
Changes in equity in 2009								

4.	Profit (loss) for the period	0	0	0	521 686	0	0	521 686
5.	Increase of capital	0	0	0	0	0	0	0
6.	Increase due to exchange differences on net investments in foreign undertakings	0	0	0	0	0	-110 485	-110 485
7.	Changes in the group subject to consolidation	0	0	0	0	0	0	0
As at 31 March 2009		**1 254 000**	**20 456 689**	**0**	**9 205 143**	**0**	**-320 732**	**30 595 100**

STATEMENT OF CHANGES IN EQUITY		Issued capital	Share premium	Revaluation provision	Retained earnings	Unregistered capital	Net investments in foreign undertakings	Total equity
1.	**Balance as at 1 January 2010**	**1 265 000**	**20 849 364**	**0**	**-4 510 573**	**0**	**92 465**	**17 696 257**
2.	Changes in the accounting principles (policies)							0
3.	**Balance as at 1 January 2010 after transitions**	**1 265 000**	**20 849 364**	**0**	**-4 510 573**	**0**	**92 465**	**17 696 257**
Changes in equity in 2010								
4.	Profit (loss) for the period	0	0	0	3 297 258	0	0	3 297 258
5.	Increase of capital	0	0	0	0	0	0	0
6.	Increase due to exchange differences on net investments in foreign undertakings	0	0	0	0	0	-48 476	-48 476
7.	Changes in the group subject to consolidation	0	0	0	-392 411	0	0	-392 411
As at 31 March 2010		**1 265 000**	**20 849 364**	**0**	**-1 605 725**	**0**	**43 989**	**20 552 628**

	STATEMENT OF CHANGES IN EQUITY	Issued capital	Share premium	Revaluation provision	Retained earnings	Unregistered capital	Net investments in foreign undertakings	Total equity
1.	**Balance as at 1 January 2009**	**1 254 000**	**20 456 689**	**0**	**8 683 456**	**0**	**-210 247**	**30 183 899**
2.	Changes in the accounting principles (policies)							0
3.	**Balance as at 1 January 2009 after transition**	**1 254 000**	**20 456 689**	**0**	**8 683 456**	**0**	**-210 247**	**30 183 899**
Changes in equity in 2009								
4.	Profit (loss) for the period	0	0	0	-12 671 041	0	0	-12 671 041
5.	Unregistered capital	11 000	99 000	0	0	0	0	110 000
6.	Capital from an incentive scheme		293 675.00					293 675.00
6.	Increase due to exchange differences on net investments in foreign undertakings	0	0	0	0	0	302 712	302 712
7.	Changes in the group subject to consolidation	0	0	0	-522 988	0	0	-522 988
As at 31 December 2009		**1 265 000**	**20 849 364**	**0**	**-4 510 573**	**0**	**92 465**	**17 696 257**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period 1 January 2010 – 31 March 2010
(indirect method)

PLN

	CONTENT	For the period 01/01/2010 - 31/03/2010	For the period 01/01/2009 - 31/03/2009	For the period 01/01/2009 - 31/03/2009	For the period 01/01/2009 - 31/12/2009
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**		before transition	after transition	
I.	**Gross profit (loss)**	**3 922 091**	**-668 392**	**47 039**	**-15 698 484**
II.	**Total adjustments**	**-1 613 728**	**-1 652 273**	**-2 367 704**	**19 114 295**
1.	Depreciation / amortisation	1 396 551	2 445 769	2 445 769	10 429 711
2.	Origination (reversal) of revaluations	0	0	0	3 878 684
3.	Revaluation of investments (goodwill decrease)	0	0	0	8 868
4.	Gain (loss) on exchange differences	-75 107	-15 962	-15 962	194 323
5.	Gain (loss) on investment activity	0	0	0	536 155
6.	Gain (loss) on sale of fixed assets	0	0	0	-77 418
7.	Interest	200 371	26 867	26 867	424 166
8.	Income tax	0	-65 614	-65 614	0
9.	Change in receivables	-2 927 605	-525 621	-525 621	6 309 876
10.	Change in inventories	428 844	-793 241	-793 241	-2 022 734
11.	Change in trade and other payables	669 908	-2 536 325	-2 536 325	1 711 011
12.	Change in provisions and liabilities for employee benefits	-9 410	-246 470	-246 470	-31 261
13.	Adjustment to 2008 result			-715 431	-2 083 805
14.	Incentive scheme			0	293 675
15.	Other adjustments	-910 675	58 324	58 324	-68 831
16.	Interest paid	0	0	0	0
17.	Tax paid	-386 604	0	0	-388 124
18.	Gain on disposal of discontinued operations	0	0	0	0
III.	**Net cash flows from operating activities**	**2 308 362**	**-2 320 665**	**-2 320 665**	**3 415 811**

B	**CASH FLOWS FROM INVESTING ACTIVITIES**				
1.	Proceeds from sale of property, plant and equipment and intangible assets	0	1 230	1 230	129 831
2.	Proceeds from sale of financial assets	0	0	0	2 127 386
3.	Repayment of borrowings	0	0	0	0
4.	Interest received	0	18 011	18 011	110 446
5.	Proceeds from disposal of company	0	0	0	0
6.	Other proceeds from financial assets	0	0	0	0
7.	Cash outflows on acquisition of subsidiaries	0	0	0	0
8.	Cash outflows on acquisition of property, plant and equipment and intangible assets	-213 266	-641 754	-641 754	-2 295 104
9.	Payments for acquisition of investment property	0	0	0	0
10.	Payments for purchase of financial assets	0	0	0	0
11.	Cash outflows on R&D	-1 839 059	-2 208 983	-2 208 983	-8 168 159
12.	Other cash outflows under borrowings	-205 402	0	0	23 604
	Net cash from investing activities	**-2 257 727**	**-2 831 497**	**-2 831 497**	**-8 071 997**
C.	**CASH FLOWS FROM FINANCING ACTIVITY**				
1.	Net proceeds from issue of equity shares and other equity instruments	0	0	0	0
2.	Incurrence of borrowings	2 782 557	4 992 102	4 992 102	14 030 935
3.	Issue of debt securities	0	0	0	5 000 000
4.	Dividends and other payments to the owners of the Company	0	0	0	0
5.	Credits and loans granted	0	0	0	0
6.	Repayment of borrowings	-2 454 015	-1 381 239	-1 381 239	-14 534 148
7.	Buy-back of debt securities	0	0	0	0
8.	Payment of liabilities under finance lease agreements	-50 417	-40 369	-40 369	-160 839
9.	Interest	-201 045	-42 822	-42 822	-464 454
10.	Other finance costs	0	0	0	-32 589
	Net cash from financing activities	**77 080**	**3 527 672**	**3 527 672**	**3 838 904**
D.	**TOTAL NET CASH FLOWS**	**127 715**	**-1 624 489**	**-1 624 489**	**-817 281**
E.	**BALANCE SHEET CHANGES IN CASH AND CASH EQUIVALENTS, of which:**	**127 715**	**-1 624 489**	**-1 624 489**	**-817 281**
E.	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD**	**1 130 865**	**2 238 973**	**2 238 973**	**2 238 973**
F.	**CASH AND CASH EQUIVALENTS AT THE END OF PERIOD**	**1 258 581**	**614 484**	**614 484**	**1 421 692**

SEPARATE DATA FOR CITY INTERACTIVE S.A.

BALANCE SHEET as at 31 March 2010 PLN				
ASSETS	As at 31 March 2010	As at 31 March 2009	As at 31 March 2009	As at 31 December 2009
		before transition	after transition	
A. NON-CURRENT ASSETS	**14 609 312**	**17 476 958**	**18 008 841**	**14 693 830**
Property, plant and equipment	400 754	1 121 114	1 121 114	551 780
Intangible assets	11 051 208	15 455 474	15 455 474	10 269 439
Goodwill	0	0	0	0
Investment property	0	0	0	0
Interests in subsidiaries	254 059	410 158	410 158	260 010
Non-current assets held for sale	0	0	0	0
Deferred income tax assets	2 903 291	490 212	1 022 095	3 612 603
Other non-current assets	0	0	0	0
B. CURRENT ASSETS	**24 267 885**	**29 132 334**	**29 132 334**	**20 851 637**
Inventory	4 092 081	4 249 487	4 249 487	4 284 998
Prepayments	0	0	0	0
Short-term investments	620 075	5 131 120	5 131 120	1 482 555
Trade receivables	16 075 991	19 493 391	19 493 391	11 980 450
Deferred tax receivables	386 604	0	0	386 604
Cash and cash equivalents	56 474	98 135	98 135	457 760
Other current assets	3 036 661	160 202	160 202	2 259 271
TOTAL ASSETS	**38 877 197**	**46 609 292**	**47 141 175**	**35 545 468**

BALANCE SHEET

as at 31 March 2010 PLN

	EQUITY AND LIABILITIES	As at 31 March 2010	As at 31 March 2009	As at 31 March 2009	As at 31 December 2009
A.	**EQUITY**				
	Issued capital	1 265 000	1 254 000	1 254 000	1 265 000
	Share premium	20 555 689	20 456 689	20 456 689	20 555 689
	Capital from an incentive scheme	293 675	0	0	293 675
	Revaluation provision	46 131	202 231	202 231	52 082
	Own shares	0	0	0	0
	Equity elements relating to assets classified as held for sale	0	0	0	0
	Exchange differences on net investments in entities operating abroad	0	0	0	0
	Retained earnings	-1 081 535	12 600 427	10 332 922	-4 119 247
	Equity attributable to the parent company	**21 078 960**	**34 513 347**	**32 245 842**	**18 047 199**
	Equity attributable to non-controlling interests	0	0	0	
	Total equity	**21 078 960**	**34 513 347**	**32 245 842**	**18 047 199**
B.	**LIABILITIES**				
	Borrowings	0	0	0	0
	Provision for pensions and similar	31 443		0	9 410
	Finance lease liabilities	39 811	225 213	225 213	86 851
	Other non-current provisions	0	0	1 431 014	0
	Deferred income tax provision	64 233	123 634	123 634	146 205
	Total non-current liabilities	**135 488**	**348 847**	**1 779 861**	**242 467**
	Borrowings	7 500 130	3 546 136	3 546 136	7 243 040
	Income tax liabilities	0	0	0	0
	Trade and other payables	9 673 437	8 113 415	8 113 415	8 581 747
	Other current provisions	489 183	87 547	1 455 921	1 431 014
	Total current liabilities	**17 662 750**	**11 747 098**	**13 115 472**	**17 255 802**
	Total liabilities	**17 798 237**	**12 095 945**	**14 895 334**	**17 498 269**
	TOTAL EQUITY AND LIABILITIES	**38 877 197**	**46 609 292**	**47 141 176**	**35 545 468**

Book value in PLN	21 078 960	34 513 347	32 245 842	18 047 199
Number of shares	12 650 000	12 540 000	12 540 000	12 650 000
Book value per share	1.67	2.75	2.57	1.42

PROFIT AND LOSS STATEMENT
for the period from 1 January 2010 to 31 March 2010
Multiple-step format

PLN

Details	For the period 01/01 - 31/03/2010	For the period 01/01 - 31/03/2009	For the period 01/01 - 31/03/2009	For the period 01/01 - 31/12/2009
Continuing operations		before transition	after transition	
Net revenue from sale	**10 124 201**	**9 419 903**	**10 135 334**	**27 108 131**
Revenue from sale of products and services	10 030 233	9 101 405	9 816 836	26 497 565
Revenue from sale of goods for resale and materials	93 968	318 497	318 497	610 566
Costs of products, goods for resale and services sold	**4 147 169**	**4 210 313**	**4 210 313**	**20 148 635**
Costs of manufacture of products sold	4 095 713	4 027 298	4 027 298	19 815 274
Value of goods for resale and materials sold	51 456	183 015	183 015	333 361
Gross profit (loss) on sales (A - B)	**5 977 032**	**5 209 590**	**5 925 021**	**6 959 496**
Other operating revenues	5 296	9 926	9 926	636 212
Distribution costs	760 921	959 682	959 682	6 687 599
Administrative expenses	774 034	3 242 172	3 242 172	4 355 323
Other operating costs	160 331	141 271	141 271	11 149 246
Profit (loss) on operating activities	**4 287 042**	**876 390**	**1 591 821**	**-14 596 461**
Finance income	6 727	417 354	417 354	247 441
Finance costs	628 718	133 383	133 383	891 945
Profit (loss) before tax	**3 665 051**	**1 160 361**	**1 875 792**	**-15 240 964**
Income tax	627 340	-44 331	91 601	-2 572 986
Profit (loss) on continuing operations	**3 037 712**	**1 204 691**	**1 784 190**	**-12 667 978**
Discontinued operations				
Loss on discontinued operations				
NET PROFIT (LOSS)	**3 037 712**	**1 204 691**	**1 784 190**	**-12 667 978**
Net profit (loss)	**3 037 712**	**1 204 691**	**1 784 190**	**-12 667 978**
Weighted average number of ordinary shares	**12 650 000**	**12 540 000**	**12 540 000**	**12 650 000**
Profit (loss) per ordinary share (in PLN)	**0.24**	**0.10**	**0.14**	**-1.00**

STATEMENT OF COMPREHENSIVE INCOME	For the period from 1 January 2010 to 31 March 2010	For the period from 1 January 2009 to 31 March 2009	For the period from 1 January 2009 to 31 December 2009
Net profit / loss for the year	**3 037 712**	**1 784 190**	**-12 667 978**
Other total gross comprehensive income:			
Valuation of financial assets	-5 951	142 738	-7 411
Available-for-sale financial assets	0	0	
Cash flow hedges (gross including tax)	0	0	0
Gain on revaluation of properties	0	0	0
Actuarial gains / losses on defined benefit plans	0	0	0
Share of total other income of associates	0	0	0
Income tax on elements of other total income	0	0	0
Other comprehensive income after tax (net, in accordance with the balance sheet)	-5 951	142 738	-7 411
Total comprehensive income	**3 031 761**	**1 926 928**	**-12 675 389**
Total revenues attributable to:			
% of shares in the parent company attributable to:	*100%*	*100%*	*100%*
owners of the parent company	3 031 761	1 926 928	-12 675 389
non-controlling interests	0	0	0
Total	**3 031 761**	**1 926 928**	**-12 675 389**

STATEMENT OF CHANGES IN EQUITY

PLN

for the period from 1 January to 31 March 2010

	STATEMENT OF CHANGES IN EQUITY	Issued capital	Share premium	Revaluation provision	Retained earnings	Unregistered capital	Net investments in foreign undertakings	Total equity
1.	**Balance as at 1 January 2009**	**1 254 000**	**20 456 689**	**59 493**	**8 548 731**	**0**	**0**	**30 318 913**
2.	Changes in the accounting principles (policies)							0
3.	**Balance as at 1 January 2009 after transition**	**1 254 000**	**20 456 689**	**59 493**	**8 548 731**	**0**	**0**	**30 318 913**
Changes in equity in 2009								
4.	Profit (loss) for the period	0	0	0	1 784 190	0	0	1 784 190
5.	Increase of capital	0	0	0	0	0	0	0
6.	Increase due to exchange differences on net investments in foreign undertakings	0	0	142 738	0	0	0	142 738
7.	Changes in the group subject to consolidation	0	0	0	0	0	0	0
	As at 31 March 2009	**1 254 000**	**20 456 689**	**202 231**	**10 332 922**	**0**	**0**	**32 245 842**

	STATEMENT OF CHANGES IN EQUITY	Issued capital	Share premium	Revaluation provision	Retained earnings	Unregistered capital	Net investments in foreign undertakings	Total equity
1.	**Balance as at 1 January 2010**	**1 265 000**	**20 849 364**	**52 082**	**-4 119 247**	**0**	**0**	**18 047 199**
2.	Changes in the accounting principles (policies)							0
3.	**Balance as at 1 January 2010 after transition**	**1 265 000**	**20 849 364**	**52 082**	**-4 119 247**	**0**	**0**	**18 047 199**
Changes in equity in 2010								
4.	Profit (loss) for the period	0	0	0	3 037 712	0	0	3 037 712
5.	Increase of capital	0	0	0	0	0	0	0

6.	Increase due to exchange differences on net investments in foreign undertakings	0	0	-5 951	0	0	0	-5 951
7.	Changes in the group subject to consolidation	0	0	0	0	0	0	0
	As at 31 March 2010	**1 265 000**	**20 849 364**	**46 131**	**-1 081 535**	**0**	**0**	**21 078 960**

	STATEMENT OF CHANGES IN EQUITY	Issued capital	Share premium	Revaluation provision	Retained earnings	Unregistered capital	Net investments in foreign undertakings	Total equity
1.	**Balance as at 1 January 2009**	**1 254 000**	**20 456 689**	**59 493**	**8 548 731**	**0**	**0**	**30 318 913**
2.	Changes in the accounting principles (policies)							0
3.	**Balance as at 1 January 2009 after transition**	**1 254 000**	**20 456 689**	**59 493**	**8 548 731**	**0**	**0**	**30 318 913**
Changes in equity in 2009								
4.	Profit (loss) for the period	0	0	0	-12 667 978	0	0	-12 667 978
5.	Unregistered capital	11 000	99 000	0	0	0	0	110 000
6.	Capital from an incentive scheme	0	293 675	0	0	0	0	293 675.00
6.	Increase due to exchange differences on net investments in foreign undertakings	0	0	-7 411	0	0	0	-7 411
7.	Changes in the group subject to consolidation	0	0	0	0	0	0	0
	As at 31 December 2009	**1 265 000**	**20 849 364**	**52 082**	**-4 119 247**	**0**	**0**	**18 047 199**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period 1 January 2010 – 31 March 2010 (indirect method)

PLN

	CONTENT	For the period 01/01/2010 - 31/03/2010	For the period 01/01/2009 - 31/03/2009	For the period 01/01/2009 - 31/03/2009	For the period 01/01/2009 - 31/12/2009
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**		before transition	after transition	
I.	**Gross profit (loss)**	**3 665 051**	**1 160 361**	**1 875 792**	**-15 240 964**
II.	**Total adjustments**	**-2 931 960**	**-1 301 327**	**-2 016 758**	**18 911 621**
1.	Depreciation / amortisation	1 390 982	2 443 122	2 443 122	10 402 265
2.	Origination (reversal) of revaluations	0	0	0	5 617 656
3.	Gain (loss) on exchange differences	-69 679	-131 230	-131 230	46 821
4.	Gain (loss) on investment activity	0	0	0	536 155
5.	Gain (loss) on sale of fixed assets	0	0	0	-77 418
6.	Interest	200 371	24 811	24 811	419 090
7.	Income tax	0	44 331	44 331	0
8.	Changes in receivables	-4 416 505	-2 359 813	-2 359 813	5 177 439
9.	Changes in inventories	192 917	-677 982	-677 982	-713 493
10.	Changes in trade and other payables	1 128 310	-536 357	-536 357	-288 900
11.	Changes in provisions and liabilities for employee benefits	-9 410	-246 470	-246 470	-31 261
12.	Adjustment to 2008 result	-991 831	0	-715 431	-2 083 805
13.	Incentive scheme	0	0	0	293 675
14.	Other adjustments	29 488	138 261	138 261	0
15.	Interest paid	0	0	0	0
16.	Tax paid	-386 604	0	0	-386 604
17.	Gain on disposal of discontinued operations	0	0	0	0
III.	**Net cash flows from operating activity**	**733 091**	**-140 966**	**-140 966**	**3 670 657**

B.	**CASH FLOWS FROM INVESTING ACTIVITIES**				
1.	Proceeds from sale of property, plant and equipment and intangible assets	0	1 230	1 230	125 730
2.	Proceeds from sale of financial assets	0	0	0	2 127 386
3.	Repayment of borrowings	0	0	0	0
4.	Interest received	0	18 011	18 011	120 195
5.	Proceeds from disposal of company	0	0	0	0
6.	Other proceeds from financial assets	0	0	0	0
7.	Cash outflows on acquisition of subsidiaries	0	0	0	0
8.	Cash outflows on acquisition of tangible and intangible assets	-212 111	-641 754	-641 754	-2 291 667
9.	Payments for acquisition of investment property	0	0	0	0
10.	Payments for purchase of financial assets	0	0	0	0
11.	Cash outflows on R&D	-1 839 059	-2 203 751	-2 203 751	-8 168 159
12.	Other cash outflows under borrowings	839 714		0	-361 038
	Net cash from investing activities	**-1 211 457**	**-2 826 264**	**-2 826 264**	**-8 447 555**

C.	**CASH FLOWS FROM FINANCING ACTIVITY**				
1.	Net proceeds for issue of equity shares and other equity instruments	0	0	0	0
2.	Incurrence of borrowings	2 782 557	4 992 102	4 992 102	14 030 935
3.	Issue of debt securities	0	0	0	5 000 000
4.	Dividends and other payments to the owners of the Company	0	0	0	0
5.	Credits and loans granted	0	0	0	0
6.	Repayment of borrowings	-2 454 015	-3 239 299	-3 239 299	-14 534 148
7.	Buy-back of debt securities	0	0	0	0
8.	Payment of liabilities under finance lease agreements	-50 417	-40 369	-40 369	-160 839
9.	Interest	-201 045	-42 822	-42 822	-464 454
10.	Other financial cash outflows	0	0	0	-32 589
	Net cash from financing activities	**77 080**	**1 669 612**	**1 669 612**	**3 838 904**
D.	**TOTAL NET CASH FLOWS**	**-401 285**	**-1 297 618**	**-1 297 618**	**-937 994**
E.	**BALANCE SHEET CHANGES IN CASH AND CASH EQUIVALENTS, of which:**	**-401 285**	**-1 297 618**	**-1 297 618**	**-937 994**
E.	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD**	**457 760**	**1 395 753**	**1 395 753**	**1 395 753**
F.	**CASH AND CASH EQUIVALENTS AT THE END OF PERIOD**	**56 474**	**98 135**	**98 135**	**457 760**

Reclassification of costs

		pre-reclassification	post-reclassification
Details	**For the period 01/01 - 31/03/2010**	**For the period 01/01 - 31/03/2009**	**For the period 01/01 - 31/03/2009**
Distribution costs	1 164 258	1 176 620	2 096 727
Administrative expenses	807 236	4 238 920	3 318 814

During the reporting period, the group reclassified distribution and administrative expenses at the level of the consolidated profit and loss statement. A part of administrative expenses borne by subsidiaries was recognised as distribution costs at group level. Items subject to reclassification have been underlined.

Adjustment of errors from previous years

In 2009, the parent company adjusted the moment of recognising revenues from sale of licences for computer games.

The parent company complied with the Auditor's position concerning definition of sale, i.e. recognition of the moment at which significant risk and benefit is transferred to the purchaser and at which costs concerning manufacture of the game may be estimated reliably. In accordance with this position, the moment of recognising revenue occurs as at the moment of completing creation by the Company of the game, i.e. creation of the "Gold Master". Previous presentation occurred as significant parts of the product were transferred during creation of the game, pursuant to the appropriate provisions of the agreement. The transferred parts of the product enable the purchaser to create its own version of the product (software localisation). During the term of the agreement, a sales network for the product and marketing strategies are also developed.
In connection with the change, transformation occurred in comparative data within the financial statements. The effects of the change are presented in the balance sheet, profit and loss statement and individual notes to the financial statements.

Adjustment of the financial statements for 2008

Decrease in revenues	3,514,819.67
Deferred tax assets	-667,815.00
Adjustment of net profit	2,847,004.67

Due to the above, the following net amount was recognised as revenue in the first quarter of 2009: PLN 715,430.94.

The remaining sum was recognised as deferred revenue and presented in non-current liabilities as PLN 1,431,014.32 and in current liabilities as PLN 1,368,374.41.

Selected financial data

Selected consolidated and separate financial information contained in this report have been converted into EUR according to the following principles:
Asset and liability items for the balance sheet according to the average exchange rate announced by the National Bank of Poland as at the end of the reporting period:
- as at 31 March 2009 – 4.7013
- as at 31 March 2010 – 3.8622
- as at 31 December 2009 – 4.1082

Items in the profit and loss statement and statement of cash flows according to the average exchange rate, calculated as the arithmetical average of exchange rates announced by the National Bank of Poland as at the last day of the month of a given quarter:
- for the first quarter of 2009 – 4.5994
- for the first quarter of 2010 – 3.9669
- for the first quarter of 2009 year-to-date – 4.5994
- for the first quarter of 2010 year-to-date – 3.9669

ABRIDGED CONSOLIDATED FINANCIAL DATA	First quarter year-to-date 2010 / period from 1 January 2010 to 31 March 2010		First quarter year-to-date 2009 / period from 1 January 2009 to 31 March 2009	
	'000 PLN	'000 EUR	'000 PLN	'000 EUR
Profit and loss statement				
Net revenue from sale of products, goods for resale and materials	**11 426**	**2 880**	**10 014**	**2 177**
Profit (loss) from operating activities	4 549	1 147	-233	-51
Gross profit (loss)	3 922	989	47	10
Net profit (loss)	**3 297**	**831**	**522**	**113**
Number of shares (x 1000)	12 650	12 650	12 540	12 540
Profit (loss) per ordinary share	0.26	0.07	0.04	0.01
Statement of cash flows				
Net cash flows from operating activities	2 308	582	-2 321	-505
Net cash flows from investing activities	-2 258	-569	-2 831	-616
Net cash flows from financing activities	77	19	3 528	767
Total net cash flows	**128**	**32**	**-1 624**	**-353**

ABRIDGED CONSOLIDATED FINANCIAL DATA	First quarter of 2010 / period from 1 January 2010 to 31 March 2010		Fourth quarter of 2009 / period from 1 January 2009 to 31 December 2009	
	'000 PLN	'000 EUR	'000 PLN	'000 EUR
Profit and loss statement				
Net revenue from sale of products, goods for resale and materials	**11 426**	**2 880**	**29 600**	**6 819**
Profit (loss) from operating activities	4 549	1 147	-15 042	-3 465
Gross profit (loss)	3 922	989	-15 698	-3 617
Net profit (loss)	**3 297**	**831**	**-12 671**	**-2 919**

Number of shares (x 1000)	12 650	12 650	12 540	12 540
Profit (loss) per ordinary share	0.26	0.07	-1.01	-0.23
Statement of cash flows				
Net cash flows from operating activities	2 308	582	3 416	787
Net cash flows from investing activities	-2 258	-569	-8 072	-1 860
Net cash flows from financing activities	77	19	3 839	884
Total net cash flows	**128**	**32**	**-817**	**-188**

ABRIDGED CONSOLIDATED FINANCIAL DATA	First quarter year-to-date 2010 / period from 1 January 2010 to 31 March 2010		First quarter year-to-date 2009 / period from 1 January 2009 to 31 March 2009		Fourth quarter year-to-date 2009 / period from 1 January 2009 to 31 December 2009	
	'000 PLN	'000 EUR	'000 PLN	'000 EUR	'000 PLN	'000 EUR
Balance Sheet						
Non-current assets	14 832	3 840	18 359	3 905	14 962	3 642
Current assets	23 750	6 149	28 854	6 137	20 752	5 051
Total assets	**38 582**	**9 990**	**47 213**	**10 043**	**35 713**	**8 693**
Equity	0	0	0	0	0	0
Share capital	20 556	5 322	20 457	4 351	20 556	5 004
Liabilities and provisions for liabilities	**38 582**	**9 990**	**47 213**	**10 043**	**35 713**	**8 693**
Non-current liabilities	7 500	1 942	3 546	754	7 243	1 763
Current liabilities	18 029	4 668	16 618	3 535	18 017	4 386
Total equity and liabilities	**38 582**	**9 990**	**47 213**	**10 043**	**35 713**	**8 693**

ABRIDGED SEPARATE FINANCIAL DATA	First quarter year-to-date 2010 / period from 1 January 2010 to 31 March 2010		First quarter year-to-date 2009 / period from 1 January 2009 to 31 March 2009	
	'000 PLN	'000 EUR	'000 PLN	'000 EUR
Profit and loss statement				
Net revenue from sale of products, goods for resale and materials	**10 124**	**2 552**	**10 135**	**2 204**
Profit (loss) from operating activities	4 287	1 081	1 592	346
Gross profit (loss)	3 665	924	1 876	408
Net profit (loss)	**3 038**	**766**	**1 784**	**388**
Number of shares (x 1000)	12 650	12 650	12 540	12 540
Profit (loss) per ordinary share	0.24	0.06	0.14	0.03
Statement of cash flows				
Net cash flows from operating activities	733	185	-141	-31
Net cash flows from investing activities	-1 211	-305	-2 826	-614
Net cash flows from financing activities	77	19	1 670	363
Total net cash flows	**-401**	**-101**	**-1 298**	**-282**

ABRIDGED SEPARATE FINANCIAL DATA	First quarter of 2010 / period from 1 January 2010 to 31 March 2010		Fourth quarter of 2009 / period from 1 January 2009 to 31 December 2009	
	'000 PLN	'000 EUR	'000 PLN	'000 EUR
Profit and loss statement				
Net revenue from sale of products, goods for resale and materials	**10 124**	**2 552**	**27 108**	**6 245**
Profit (loss) from operating activities	4 287	1 081	-14 596	-3 363
Gross profit (loss)	3 665	924	-15 241	-3 511
Net profit (loss)	**3 038**	**766**	**-12 668**	**-2 918**
Number of shares (x 1000)	12 650	12 650	12 540	12 540
Profit (loss) per ordinary share	0.24	0.06	-1.01	-0.23
Statement of cash flows				
Net cash flows from operating activities	733	185	3 671	846
Net cash flows from investing activities	-1 211	-305	-8 448	-1 946
Net cash flows from financing activities	77	19	3 839	884
Total net cash flows	**-401**	**-101**	**-938**	**-216**

ABRIDGED FINANCIAL DATA INDIVIDUAL	First quarter year-to-date 2010 / period from 1 January 2010 to 31 March 2010		First quarter year-to-date 2009 / period from 1 January 2009 to 31 March 2009		Fourth quarter year-to-date 2009 / period from 1 January 2009 to 31 December 2009	
	'000 PLN	'000 EUR	'000 PLN	'000 EUR	'000 PLN	'000 EUR
Balance Sheet						
Non-current assets	14 609	3 783	18 009	3 831	14 694	3 577
Current assets	24 268	6 283	29 132	6 197	20 852	5 076
Total assets	**38 877**	**10 066**	**47 141**	**10 027**	**35 545**	**8 652**
Equity	21 079	5 458	32 246	6 859	18 047	4 393
Share capital	1 265	328	1 254	267	1 265	308
Liabilities and provisions for liabilities	**17 798**	**4 608**	**14 895**	**3 168**	**17 498**	**4 259**
Non-current liabilities	135	35	1 780	379	242	59
Current liabilities	17 663	4 573	13 115	2 790	17 256	4 200
Total equity and liabilities	**38 877**	**10 066**	**47 141**	**10 027**	**35 545**	**8 652**

Notes to the consolidated financial statements for the period from 1 January 2010 to 31 March 2010

I. Information on the principles adopted in preparing the report

1. Basis for presentation and preparation of the financial statements

a) The consolidated financial statements cover the period from 1 January 2010 to 31 March 2010. Comparative data covers the period from 1 January 2009 to 31 March 2009; and as of 31 December 2009 (balance sheet) and for the whole of 2009 (statement of changes in equity).

b) The consolidated financial statements were drawn up in accordance with the International Accounting Standards and International Financial Reporting Standards (IAS/IFRS).

c) The financial statements were drawn up on the assumption that the business will continue as a going concern in the foreseeable future and that no events will occur indicating a threat to its status as a going concern.

2. Adopted accounting principles

a) Application of the International Accounting Standards

The consolidated financial statements were drawn up in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) adopted by the European Union ("EU") and interpretations adopted by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) applicable in the business conducted by the Company and binding in annual reporting periods commencing 1 January 2007, together with the requirements of the Ordinance of the Minister of Finance of 19 February 2009 concerning current and periodical information provided by issuers of securities and the terms and conditions for information required by the provisions of law of a non-member state being recognised as equivalent (Polish Journal of Laws No. 33, item 259).

The consolidated financial statements for the period from 1 January 2010 to 31 March 2010 are subsequent consolidated financial statements drawn up in accordance with IAS/IFRS. Comparative data for the period from 1 January 2009 to 31 March 2009 is sourced from the Group's consolidated financial statements drawn up in accordance with IAS/IFRS. IAS/IFRS was adopted as of 1 January 2007.

b) Basis for drawing up the consolidated financial statements

Data in the consolidated financial statements has been given in Polish zloty, which is the presentation currency and functional currency.

The consolidated financial statements were drawn up on historical cost basis. Preparation of consolidated financial statements in accordance with IAS/IFRS requires that the Management Board provide professional judgements, estimates and assumptions which have an impact on the adopted principles and the value of assets, liabilities, revenues and costs presented. Estimates and associated assumptions are based on previous experience and other factors which are acknowledged as rational in given circumstances and their results provide a basis for professional judgement concerning the carrying amount of assets and liabilities which does not directly result from their sources. Actual values may differ from estimated values.

Estimates and associated assumptions are subject to systematic verification. Change in assumptions is recognised in the period in which these have been made.

The principles of the accounting policy presented below were applied in relation to all periods presented in the submitted financial statements, as well as in drawing up an opening balance sheet in accordance with IAS/IFRS as at 1 January 2007 for the purposes of transfer from Polish accounting principles to reporting compliant with IAS/IFRS.

c) Principles of consolidation

(i) Subsidiaries

The City Interactive Group consolidated financial statements were drawn up applying the acquisition method as the means of settlement adopted on the date of the share purchase transaction (full consolidation method). In drawing up the consolidated financial statements, the parent company combines the financial statements of the parent company and subsidiaries through summarising individual items of assets, liabilities, shares in equity, revenues and costs.

In order to ensure presentation of financial information concerning the Group in the consolidated financial statements as if it constituted a single commercial entity, only the carrying amount of the parent company's investments in subsidiaries and such part of the subsidiary's equity as corresponds to the parent company's share is presented.

The method applied for translating the financial statements of foreign operations depends on the means by which they are financed and the type of business activity conducted in relation to the entity drawing up the financial statements. For this reason, in accordance with IAS 21, entities operating abroad are broken down into: "entities operating abroad, whose operations constitute an integral part of the operations of the entity drawing up the financial statements" and "foreign operations".

For conversion of the financial statements of subsidiaries operating abroad, the aforementioned entities have been classified as "foreign operations" in accordance with IAS 21. After converting the financial statements of foreign operations, in order for these to be included in the financial statements of the entity drawing up the financial statements, the following principles were applied:

- assets and liabilities, both monetary and non-monetary, were converted at the closing rate

- revenue and cost items of foreign operations were converted at the exchange rate as at the date of executing transactions, with the exception of situations where the foreign operation is drawing up reports in hyper-inflationary economic conditions. In this situation items would be converted at the closing rate.

- all exchange rate differences are recognised in equity until disposal of the net investment.

The financial results of entities acquired or disposed of during the year are included in the consolidated financial statements from / to the moment of their acquisition or disposal, respectively, if this constitutes significant value for the presented financial statements.

Where necessary, adjustments are made in the financial statements of subsidiaries or associates in order to unify the accounting principles applied by the entity with the principles applied by the parent company. All transactions, balances, revenues and costs between related entities covered by consolidation are subject to exclusion.

(ii) Associates, joint ventures

Associates are business entities where the Company exerts significant influence, although does not control their operational and financial policies.

The Company's joint ventures are entities where the Company exercises joint control over their operations pursuant to contractual arrangements.

The consolidated financial statements contain the Group's participation in the profits and losses of associates / joint ventures using the equity method, from the moment of acquiring significant influence / joint control until the expiry of such influence / control. The Group also measures the loss in value of shares in the net assets of associates / joint ventures and makes the appropriate revaluation decreases. In the event of the Group's participation in losses exceeding the carrying amount of the associate / joint venture, such amount is reduced to zero and ceases to be recognised in further losses in as far as there is no legal obligation to cover losses or payment has not already been made to cover such liabilities.

Goodwill arising during consolidation results from the occurrence as at the acquisition date of a surplus of the cost of acquiring the entity over the fair value of identifiable asset and liability items of the subsidiary, associate or joint venture as at the acquisition date.

Goodwill adopted during the merger of commercial entities is not amortised. Goodwill is subject to impairment testing at least once per year. Potential impairment is immediately recognised in the profit and loss statement. In disposal of a subsidiary, associate or joint venture, the appropriate part of goodwill is taken into consideration in calculating the profit or loss on disposal.

(iii) Consolidation adjustments

The balance of internal settlements between Group entities, transactions executed within the Group and all unrealised profits or losses resulting thereunder, together with the Group's revenues and costs, are excluded during the preparation of the consolidated financial statements. Unrealised profits resulting from transactions with associates and joint ventures are excluded from the consolidated financial statements proportionally to the level of the Group's participation in such entities. Unrealised losses are excluded from the consolidated financial statements on the same principles as profits, until the moment when evidence indicating impairment arises.

d) Property, plant and equipment

(i) Own property, plant and equipment

Property, plant and equipment are fixed assets which are retained to be used in the production process or in supplying goods and providing services, in order for them to be handed over to other entities for use pursuant to a rental agreement and where there is expectation that they will not be used for longer than one period.

Costs borne at a later time are included in the carrying amount of an asset or are indicated as a separate asset only if it is probable that the Group will achieve future economic benefit connected with such asset and the acquisition price for a given item may be measured reliably. Expenses for repair and maintenance are recognised in the profit and loss statement in the period in which they were borne. The cost of production is augmented by fees and for defined assets by the costs of external finance capitalised in accordance with the principles defined in the Group's accounting policy.

Depreciation concerning such fixed assets commences at the moment they are commissioned. Each new fixed asset must, in as far as possible, be broken down into separate components and depreciated as a separate asset.

Fixed assets under construction intended for production, lease or administrative purposes, as well as for undefined purposes, are presented in the balance sheet at cost of manufacture less impairment.

Profits or losses arising from disposal / liquidation or suspension of the use of fixed assets are defined as the difference between revenues from disposal and the net value of such fixed assets and are included in the profit and loss statement.

Land – the right of perpetual usufruct of plots of land is presented at acquisition price.

The Group does not amortise rights to perpetual usufruct of land. Amortisation / depreciation rates have been established with consideration to the period of economic usefulness of fixed assets.

Property, plant and equipment is depreciated using the straight-line method with the following rates:

- technical equipment and machinery: 20-60%
- other fixed assets: 20%

Property, plant and equipment with unit acquisition price of up to PLN 1,000 net are depreciated for a period of between 12 and 24 months, not earlier than in the month they are commissioned.

(ii) Property, plant and equipment used pursuant to lease agreements

Leases are classified as finance leases if in principle the terms and conditions of the agreement transfer all potential benefits and risk as owner to the lessee. All other types of leases are treated as operational leases.

Assets used pursuant to a finance lease agreement are treated as the Group's assets and are valued at their fair value as of the moment of their acquisition, although at a level not exceeding the value of their current minimum lease payments.

Liability towards the lessor arising on this account is presented in the balance sheet under finance lease liabilities.

Lease payments are divided into an interest part and a capital part. Financial costs are recognised in the profit and loss statement.

(iii) Subsequent expenses

Costs aimed at exchange of separate components of an element of property, plant and equipment borne in a subsequent period are subject to activation. Other costs are capitalised only if they can reliably be measured and increase future economic benefits connected with a fixed asset. Other expenses are systematically recognised in the profit and loss statement.

e) Intangible assets

(i) Intangible assets

The Group recognises intangible assets only when:

a) it is probable that the future economic benefits that are attributable to the assets will flow to the Group, and

b) the acquisition price or cost of production of a given asset may be measured reliably.

An intangible asset is initially valued at acquisition price or cost of production. Intangible assets are subject to amortisation. Amortisation rates have been established with consideration to the period of economic usefulness of intangible assets.

Intangible assets are amortised using the straight-line method with the following rates:

- licences: 20%-90%
- computer software: 50%

Intangible assets of unit acquisition price lower than PLN 1,000 are amortised for a period of between 12 and 24 months.

Expenses on R&D work are recognised as costs at the moment they are borne.

Costs of R&D works borne before the commencement of production or application of new technological solutions are classified as intangible assets if the Company can prove the following:

- the possibility, from a technical point of view, to complete an intangible asset so that it is suitable for use or sale,
- the intent to complete an intangible asset and to use or sell it,
- the capability to use or sell an intangible asset,
- the means in which an intangible asset will create potential economic benefits. Amongst others, the Group should prove the existence of a market for products arising due to the intangible asset or the asset itself or – if the asset is to be used by the entity – the usefulness of the intangible asset,
- the availability of appropriate technical, financial and other resources which are to serve completion of R&D works and the use or sale of the intangible asset,
- the possibility to establish outlays borne during R&D works which may be assigned to such intangible asset.

The costs of R&D works with a useful life assumed in advance are subject to amortisation. Amortisation write-offs commence as of the date when a given asset is ready for use, whereas they end at the moment when a given asset is allocated for sale or ceases to be included in the accounts.

The amortisation period is equal to the period of economic usefulness of a resource held. The adopted amortisation period and method for the costs of R&D works are verified at least as at the end of the financial year. Costs of R&D works are amortised during the anticipated period of achieving revenues from sale of a product, however not longer than 3 years.

The Group does not amortise the costs of R&D works with an undefined useful life. Intangible assets with undefined useful life are subject to an annual impairment test, in application of the guidelines of IAS 36 "Impairment of Assets".

(ii) Impairment

At the end of each reporting period the Group reviews fixed assets in order to confirm that there have been no circumstances indicating the possibility of their impairment.

In the event of such circumstance existing, the recoverable amount of a given asset is estimated in order to establish a potential write-down.

In a situation where an asset does not generate cash flows which are to a large extent independent of cash flows generated by other assets, analysis is carried out for the group of assets generating cash flows to which a given asset belongs.

In the case of intangible assets with a defined useful life, the impairment test is carried out both annually and in the event of circumstances indicating the possibility of impairment. The recoverable amount is established as the higher of two values: fair value less costs to sell, or its value in use. This final amount corresponds to the current value of estimated future discounted cash flows using a discount rate taking into consideration the present value of money and asset-specific risk.

If the recoverable amount is lower than the net book value of an asset (or group of assets), the book value is decreased to the recoverable amount.

Impairment loss is recognised as a cost in the period it occurred, with the exception of a situation where an asset has been recognised at estimated value (in this case the impairment is treated as a decrease in the previous estimate).

At the moment where the impairment is subject to subsequent reversal, the net value of the asset (or group of assets) is increased to the new estimated recoverable amount, however not higher than the net value of such asset as it would have been established had impairment not been identified in previous years.

Reversal of impairment is recognised in revenues in as far as the asset has not been subject to prior estimation – in this event reversal of impairment is recorded in the revaluation provision.

f) Investments

Investments other than property, intangible and financial assets are recognised at acquisition cost, less impairment write-offs.

Investments recognised at historical cost expressed in a foreign currency as at the end of the reporting period are valued using the average exchange rate announced by the National Bank of Poland as at the end of the reporting period.

g) Trade and other receivables

Current trade and other receivables are valued at repayment value in as far as the effect of charging interest is not significant. Otherwise receivables are initially recognised at fair value and subsequently valued at amortised cost in application of the effective interest rate. In accordance with the principle adopted by the Group, receivables with maturity of longer than 180 days are subject to discounting.

h) Inventories

The initial value (cost) of inventories includes all costs (acquisition, production, etc.) borne in connection with bringing inventories to their current location and condition.

The acquisition price of inventories includes the purchase price increased by import duty and other taxes (not subject to subsequent refund from tax authorities), costs of transport, loading, unloading and other costs directly connected with the acquisition of inventories, decreased by discounts, rebates and other similar reductions.

Inventories are measured at initial value (acquisition price or cost of production) or at net sale price depending on which is lower.

In relation to other inventories the costs is establishing using the first in, first out (FIFO) method.

Inventory write-downs

Write-downs on current property, plant and equipment items connected with their impairment or valuation as at the end of the reporting period correspond to their own cost of sales (IAS 2).

i) Cash and cash equivalents

Cash and cash equivalents include cash at hand and bank deposits on demand. Short-term investments which are not subject to significant change in value, which may be easily exchanged for a defined amount of cash and which constitute a part of the Company's liquidity management policy are recognised as cash and cash equivalents for the purposes of the statement of cash flows.

j) Financial instruments

Financial assets and liabilities are recognised in the balance sheet at the moment when the Group becomes a party to a binding agreement.

The Group classifies each agreement which effects the simultaneous occurrence of a financial asset with one party and a financial liability or equity instrument with the other party as a financial instrument, on condition that unambiguous economic effects result from a contract executed between two or more parties.

In accordance with IAS 39, the Group classifies financial instruments as:

a) instruments held for trading (at fair value through profit or loss) – financial assets or liabilities which have been acquired or have arisen in order to generate profit achieved due to short-time price fluctuations,

b) financial instruments held to maturity – financial assets with fixed or determinable payments or fixed maturity dates, which the Group has the intent and capability to hold to maturity, carried at amortised cost with application of the effective interest rate method, with the exception of loans granted by entities and own debt claims,

c) available-for-sale financial instruments – financial assets other than loans granted and own receivables, assets held to maturity or financial assets held for trading. Carried at fair value,

d) loans and receivables – non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. At initial recognition, the Group values financial assets and liabilities at acquisition cost (price), i.e. according to the fair value of the payment made in the case of assets, or the amount received in the case of liabilities.

The Group includes transaction costs in the initial value of all financial assets and liabilities.

Differences in restatement and revenues achieved or costs borne appropriate to classification of a financial asset are recognised in profit or loss or the revaluation provision as available-for-sale financial assets, respectively.

Principles for valuation of financial instruments as at the end of the reporting period: the Group makes valuation at amortised costs, with consideration of the effective interest rate of:

- assets held to maturity,
- loans and receivables, and
- other financial liabilities not classified as held for trading.

Valuation may also take place:

- at the amount requiring payment if the discount effect is not significant;
- at the amount requiring payment: receivables and liabilities with short maturity period;
- at fair value: financial assets and liabilities held for trading and available-for-sale financial assets.

Changes in the fair value of financial assets held for trading not being part of hedges are recognised as finance income or costs when they arise.
Interests in other entities are valued at acquisition price less impairment charges.

k) Share capital

Share capital has been indicated at the nominal value of issued and registered shares.

(i) Purchase of own shares

In the event of purchase of own shares, the payment amount, together with direct transaction costs, is indicated as a change in equity. Purchased shares are indicated as a decrease in equity.

(ii) Dividends

Dividends are recognised as a liability in the period in which they are authorised.

l) Provisions

Provisions are liabilities, the maturity date or amount of which is not certain. The Company creates provisions when all of the following conditions are met simultaneously:

- the companies are burdened with an existing obligation (legal or constructive) resulting from future events,
- it is probable that fulfilment of an obligation will result in necessary outflow of resources (payment),
- the amount of such obligation can be reliably estimated.

The Group creates the following provisions for liabilities:

– deferred income tax provision created in connection with the occurrence of positive differences between the book value of assets and liabilities and their tax value,

– provisions for employee benefits – provisions for pension gratuities are calculated based on own estimates, however with regard to the low average age of employees and the insignificant value of the provision resulting from this, there is currently no provision created,

– other provisions.

Termination of unused provisions occurs as at the date on which they are acknowledged as unnecessary.

m) Payables

Trade and other payables are recognised at amortised cost.

n) Revenues

Revenue from sale of products and services includes sale of products manufactured by the Group to which it has exclusive licence rights for their production or has purchased a licence for release and distribution, together with services provided by the Group to other entities.

Revenue from sale of goods for resale and materials includes sale of products which have been purchased and are held for further sale in a non-processed form, together with sale of materials for manufacture.

Revenue from sale of products and goods for resale is recognised if the following conditions are met:

– the Group has transferred significant risk and benefits resulting from the right of ownership of goods for resale and products to the purchaser,

– the Group ceases to be permanently involved in managing the sale of goods for resale or products to the extent that such function is usually exercised in relation to goods for resale and products to which there is right of ownership, and it does not exercise effective control over them,

– the revenue amounts may be measured reliably,

– it is probable that the Group will achieve economic benefits from the transaction,

– costs borne and those which will be borne by the Group in connection with the transaction may be valued in a reliable manner.

Revenue is recognised if achievement by the Group of economic benefits connected with the executed transaction is probable.

If there is uncertainty regarding the collectability of an amount due which is already counted as revenue, then the uncollectible amount in relation to which achievement has ceased to be probable is recognised as costs and not as a correction of the initially recognised revenue amount.

Revenue from sale is recognised at the fair value of payments received or due and represent receivables for products, goods for resale and services supplied under normal business activity after decrease by discounts, VAT and other sales-related taxes.

Revenue from interest is recognised cumulatively in relation to the main receivable amount, in accordance with the effective interest rate method on lease.

o) Costs

The Group draws up a consolidated profit and loss statement in multi-step format. Costs are classified in accordance with their function.

(i) Payments for finance leases

Lease payments are divided into a part constituting the cost of finance and a part decreasing the liability. The part constituting the cost of finance is allocated to specific periods during the term of the lease applying the effective interest rate method.

(ii) Net borrowing costs

Net borrowing costs include interest payable on debt, established on the basis of the effective interest rate, interest due on funds invested by the Group, dividends due, foreign exchange gains and losses and profit and loss concerning collateralised instruments which are recognised in the profit and loss statement.

Revenue from interest in recorded in the profit and loss statement on an accrual basis applying the effective interest rate. Income from dividends is recognised in the profit and loss statement at the moment when the Group acquires the right to receipt thereof. The part constituting the cost of finance arising in connection with finance lease fees is indicated in the profit and loss statement applying the effective interest rate method.

p) Tax

Obligatory encumbrances on the result include current tax (CIT) and deferred tax.

The current tax obligation is calculated on the basis of the tax result (basis for taxation) for a given financial year. Tax for the current and previous periods is recognised as a liability in the amount which has not been paid.

Tax profit (loss) differs from net book profit (loss) in connection with the exclusion of revenues subject to taxation and tax-deductible expenses in subsequent years and items of cost and revenue which will never be subject to taxation.

Deferred tax is calculated using the balance sheet method as tax subject to payment or refund in the future on the difference between the carrying amounts of assets and liabilities and the corresponding tax values used to calculate the basis for taxation.

Deferred income tax assets and provisions for deferred income tax are valued with application of tax rates which will be applied, according to predictions, if an asset is realised or a provision liquidated, adopting the basis as the tax rates (and tax regulations) legally in force or actually binding as at the end of the reporting period.

A deferred tax asset is subject to analysis as at the end of the reporting period, and in the event of it being expected that future tax profits will be insufficient to realise an asset or part thereof, it is written off. Deferred income tax assets and provisions for deferred income tax are not discounted.

Deferred tax is recognised in the profit and loss statement, aside from a situation where it concerns items directly recognised in equity. In this last instance deferred tax is also settled directly in equity. The Group offsets deferred income tax assets with provisions for deferred income tax exclusively when it has an enforceable legal title to offset deferred income tax assets with provisions for deferred income tax.

q) Transactions expressed in foreign currencies

Transactions executed in foreign currencies are translated into the functional currency in application of exchange rates in force on the date of executing such transactions, in the following manner:

- in the case of selling foreign currencies and receivable repayment transactions – using the bid rate applied by the bank used by the Group;
- in the case of purchasing foreign currencies and liability repayment transactions – using the ask rate applied by the bank used by the Group;
- in the case of other transactions – according to the average exchange rate announced for a given currency by the National Bank of Poland in as far as customs documents do not give another exchange rate.

Monetary items recognised at historical cost expressed in a foreign currency are recorded as at the end of the reporting period using the average exchange rate announced by the National Bank of Poland as at the end of the reporting period. Non-monetary balance sheet items recorded at historical cost expressed in a foreign currency are recorded in application of the exchange rate as at the date the transaction is executed. Non-monetary balance sheet items recorded at fair value in a foreign currency are recorded in application of the exchange rate in force during establishment of fair value.

Foreign exchange gains and losses resulting from settlement of transactions in foreign currencies and from translation of cash assets and liabilities according to average National Bank of Poland exchange rates as at the end of the year are indicated in the profit and loss statement, with the exception of settlement in equity fulfilling the criteria for recognition of cash flow hedges.

r) Segment reporting

A business segment is a separate part of the Group which deals with the supply of defined products or services (business segment) or supply of products or services in a defined economic environment (geographical segment), which is subject to risks and derives benefits differently to other segments.

The Group presents revenue from sales broken down into the following segments:

– business – covering sales divided into products, goods for resale and services

– geographical – covering sales divided into the following areas: Europe, America and Asia and Australia.

Revenue from sale of products covers sale of products manufactured by the Group to which it has exclusive licence rights for their production or has purchased a licence for release and distribution.

Revenue from sale of services covers revenues for services provided by the Group to other entities.

Revenue from sale of goods for resale covers sale of products which have been purchased and are held for further sale in a non-processed form, together with sale of materials for manufacture.

Operating costs are divided as follows:

– direct costs, which may be assigned to a given product or service, or the value of goods for resale or materials sold at purchase price,

– indirect costs, i.e. costs which cannot be directly assigned to a defined product, e.g. administrative, sales and other operating costs.

Segmentation – assignment to specific business segments – concerns direct costs and such part of indirect costs as can be assigned to a given segment.

s) Activity being discontinued and fixed assets held for sale

Immediately before reclassification to the group of assets held for sale, valuation of assets (or all assets and liabilities constituting a group held for sale) is updated in accordance with the appropriate IFRS. Subsequently, as at the day of initial classification as held for sale, fixed assets or the group held for disposal are recognised according to the lower value: carrying value or fair value decreased by the costs of preparation for sale.

Impairment identified at initial classification as held for sale is recognised in the profit and loss statement even in the event of value estimation. This also concerns profit and loss resulting from subsequent adjustments to value.

Discontinued activity is a part of the Group's activity which constitutes a separate main business line or geographic segment or is a subsidiary acquired exclusively for further sale.

Classification as discontinued activity takes place as a result of disposal or at the moment when the activity fulfils the criteria for classification to the group held for sale.

3. Change in the accounting principles (adjustment to the financial statements)

The City Interactive Group consolidated financial statements for the period from 1 January 2010 to 31 March 2010 maintain comparability in relation to data from the statements for the period from 1 January 2009 to 31 March 2009, which were drawn up in accordance with IAS/IFRS. The Group made alteration in recognition of administrative expenses and distribution costs, making transfers within these two items. The scope of reclassification is presented on page 18 of this quarterly report.

In drawing up these consolidated financial statements, the Group did not voluntarily change any previously applied accounting principles in relation to preceding periods.

II. Concise description of significant achievements or failures during the first quarter of 2010, together with a list of the most significant related events

The City Interactive Group operates in the video game development and publishing market, both within Poland and abroad. It is the first CEE company in the industry to hold the status of a public company and the first to become an international player.

The main area of the Issuer's business is development and release of a wide range of video games (PC and console), covering various genres.

Within its business in the gaming market, the Group appears as:

- Developer – having its own development studio in which new projects are created,
- Publisher – which acquires licences to games manufactured by external studios and translators, being responsible for marketing policy and releasing them,
- Distributor – which sells products directly to retail chains, distributor networks, internet portals and others.

Through fulfilling these three functions, the Group can effectively control the process of development and distribution of games without needing to involve a large number of other companies (agents) in the process of introducing its products to the market. Furthermore, thanks to development of its own games, the Group acquires unlimited rights – it can sell them globally and furthermore may make alterations to them and adapt them to various platforms (PC, consoles, mobile telephones, etc.) and distribution channels.

The most significant of the Group's achievements in the first quarter of 2010 are as follows:

Establishment of cooperation with UBISOFT

In the first quarter of 2010 the Group established cooperation with UBISOFT, a global publisher and distributor of video games, responsible for commercial activities in Switzerland. UBISOFT also supports the Austrian market. Switzerland and Austria were previously supported by a German distributor.

Agreement with The Producers Limited (UK)

The parent company signed an agreement with The Producers Limited, a company belonging to the Mastertronic Group Limited, having its registered office in Huntingdon, Great Britain, pursuant to which The Producers Ltd. provides services connected with logistics and distribution of the Issuer's products in the UK, including the Isle of Man and Ireland. The parent company ceased cooperation with the bankrupt company Trilogy Logistics Ltd., which previously provided distribution and logistics services for the Company's products in the UK.

Conclusion of a distribution agreement with Solutions 2 Go, Inc.

Subsidiary City Interactive USA, Inc. signed an agreement in February 2010 with Solutions 2 Go, Inc., having its registered office in Mississauga, Canada, pursuant to which Solutions 2 Go provides services connected with distribution of some of the Group's products. Solutions 2 Go is known for its sales successes on the Canadian market.

Global première of the Group's first title for the Nintendo Wii console

In the first quarter of 2010 the Group successfully released the game Chicken Riot in North America and some Western European countries. This is the first product designed for the Nintendo Wii console.

Release of a subsequent title in the popular game series Art of Murder

In the first quarter of 2010 the Group released a subsequent title in one of the most popular series published by City Interactive – Art of Murder: Cards of Destiny for PC. Young FBI agent Nicole Bonnet receives a secret package – a complicated logic puzzle which, as it turns out, is a message from a serial killer. This is the beginning of a nerve-wracking mental duel between Nicole and the killer, who leaves playing cards by the bodies of his victims as his calling card. There isn't much time to stop a wave of murders, while failure could mean that Nicole becomes one of the victims herself...

Release of Shutter Island

The plot of the game Shutter Island for PC is based on the screenplay of the Martin Scorsese film. Federal agent Teddy Daniels is sent to the Ashecliffe hospital on Shutter Island, where high-risk psychiatric criminals are kept. He has to investigate the unexplained disappearance of Rachel Solando, one of the hospital's patients. If she's still on the island, she cannot be allowed to leave. However, as the investigation progresses Daniels discovers that capturing the fugitive may paradoxically be the easiest of the tasks he is up against on Shutter Island.

The Group's consolidated revenue from sales of Art of Murder Cards of Destiny PC, Chicken Riot Wii and Shutter Island PC constitutes approx. 27% of revenue achieved in the first quarter of 2010.

III. Description of factors and events, in particular of non-typical nature, which had an impact on achievement of financial results

In the first quarter of 2010 the Group indicated consolidated revenues from sale at PLN 11.4 million, constituting a 14% increase year on year. In its report for the fourth quarter of 2009, the Group created a provision for refunds and adjustments, amounting to PLN 1.5 million. This provision was used up in its entirety in the first quarter of 2010. A PLN 700,000 provision for adjustments and refunds was created in the profit and loss statement for the first period.

CITY INTERACTIVE S.A.	31 March 2010 PLN	31 March 2009 PLN
Intangible asset write downs	0	0
Receivables write downs	6 391 586	2 688 040
Provision for pensions and similar	31 443	0
Deferred income tax	64 233	123 634
Provision for costs and liabilities	61 587	87 547
Revenues from future periods	439 183	2 799 389
Total	**6 988 032**	**5 698 610**

GROUP	31 March 2010 PLN	31 March 2009 PLN
Intangible asset write downs	0	0
Receivables write downs	6 391 586	2 688 040
Provision for pensions and similar	31 443	0
Deferred income tax	64 233	123 634
Provision for costs and liabilities	61 587	100 516
Revenues from future periods	439 183	2 799 389
Total	**6 988 032**	**5 711 579**

CITY INTERACTIVE S.A.	31 March 2010 PLN	31 March 2009 PLN
Net revenue provision for refunds and adjustments	-560 000	0
Total	**-560 000**	**0**

GROUP	31 March 2010 PLN	31 March 2009 PLN
Net revenue provision for refunds and adjustments	-560 000	0
Total	**-560 000**	**0**

Sales segments

Geographical structure of consolidated sales revenues in PLN

	March 2010	March 2009	change %
AMERICA	2 147 811	1 005 403	114%
EUROPE	7 240 436	5 533 851	31%
POLAND	1 684 177	2 904 881	-42%
ASIA AND AUSTRALIA	353 982	570 220	-38%
TOTAL	**11 426 406**	**10 014 356**	**14%**

Business structure of consolidated sales revenues in PLN

	March 2010	March 2009	change %
GOODS FOR RESALE	93 968	318 497	-70%
PRODUCTS	11 309 248	9 677 657	17%
SERVICES	23 189	18 202	27%
TOTAL	**11 426 406**	**10 014 356**	**14%**

Segments – consolidated	Own products	Licensed products	Goods for resale and materials	Licences	Distribution	Total
Revenues	57%	32%	1%	8%	3%	100%
Total segment revenue	**6 530 879.67**	**3 615 534.19**	**93 968.24**	**870 336.19**	**315 687.57**	**11 426 405.86**
Segment revenue	6 530 879.67	3 615 534.19	93 968.24	870 336.19	315 687.57	11 426 405.86
Total segment direct cost	**-3 739 922.14**	**-809 345.55**	**-54 757.49**	**-30 574.65**	**-114 842.29**	**-4 749 442.11**
Total segment own cost of sales	-2 515 901.14	-366 563.64	-51 456.41	0.00	-101 202.28	-3 035 123.47
Sales margin	**61.48%**	**89.86%**	**45.24%**	**100.00%**	**67.94%**	**73.44%**
Segment-related amortisation / depreciation	-1 042 465.85	-342 271.88	-688.81	-6 379.74	-4 864.05	-1 396 670.34
Other direct segment costs	-181 555.15	-100 510.02	-2 612.27	-24 194.91	-8 775.95	-317 648.30
Result	*43%*	*78%*	*42%*	*96%*	*64%*	*58%*
Segment profit (loss) on sales	**2 790 957.53**	**2 806 188.64**	**39 210.75**	**839 761.54**	**200 845.28**	**6 676 963.75**

IV. Explanations concerning the seasonal or cyclical nature of the Issuer's business in the presented period

With regard to the varied sources of revenues (domestic distributions, international distribution, sale of licences) and industry specifics, the Group experiences a fairly stable arrangement of revenues from sale throughout the financial year, with an increase in the fourth quarter.

V. Information concerning the issue, buy-back and repayment of equity and non-equity securities

During the presented reporting period the Group did not issue equity and non-equity securities.

In the third quarter of 2009 the parent company issued PLN 5 million in bonds. The nominal value per bond was PLN 50,000. The bonds are bearer bonds. The maturity date is 16 September 2010. Interest is 12% annually. Calculated interest on bonds not due as at 31 March 2010 amounts to PLN 26,301.37.

VI. Information concerning paid (or declared) dividends, together with calculation per share with division into ordinary and preference shares

During the reporting period the Group did not pay out dividends, nor did it declare their payment.

VII. Indication of events which occurred after the date as of which the quarterly financial statements were drawn up such as were not recognised in the statements and which may have a significant impact on the Issuer's future financial results

German court verdict beneficial for the Company
Enforcement proceedings commenced before a German court as a result of a suit brought by the parent company against CDV Deutschland GmbH. On 29 April 2010 a judgement was issued by the court ordering CDV Deutschland GmbH to pay EUR 252,100.30 to City Interactive S.A. (including interest), together with additional costs of the proceedings and legal representation.

Agreement with NAVARRE and COKEM
City Interactive USA, Inc. signed distribution agreements with: NAVARRE and COKEM, enabling the finance by these contracting parties of the costs of goods designed for consoles borne by the Issuer.

Sniper: Ghost Warrior – very well received by trade media
A hotly anticipated Company product intended for the Microsoft Xbox 360 console and PC, Sniper: Ghost Warrior was very well received by industry media, also garnering impressive opinions amongst consumers and trade partners. Sniper: Ghost Warrior is a high-quality action game (shooter), with sensational graphics, an interesting storyline and long game play time (approx. 10 hours of constant play). It differs from other action games amongst others in the type of game play, where the enemy's superiority in numbers is balanced out amongst others through the possibility to observe enemies before attacking and eliminating them from a distance and deciding to play in stealth mode. Players receive a sniper rifle with life-like ballistics, taking into account the wind and the impact of the body on the stability of the shot.

Aside from this, there is the possibility to turn off breathing or switch on "sniper mode", thanks to which it is easy to shoot opponents and stabilise the rifle while taking a shot.

Sniper: Ghost Warrior will be released in June 2010 in North America, main European markets including Poland and in Australia and New Zealand.

VIII. Additional information on change in contingent liabilities or assets which have occurred since the end of the last financial year

During the reporting period there were no changes in the Group's contingent liabilities.

As at 31 March 2010 the Group had no contingent liabilities, with the exception of a promissory note issued by City Interactive S.A. to the following lessors: Raiffeisen Leasing Polska, Volkswagen Leasing Polska and SEB Leasing Polska for payment collateral connected with concluded lease agreements.

The parent company issued letters of guarantee for payment collateral under agreements for lease and long-term rental of cars by the companies:

- CITY INTERACTIVE PERU SAC – guarantee for Banco Internacional del Peru S.A.A. – Interbank up to a maximum of USD 50,000,

- CITY INTERACTIVE SPAIN S.L. – guarantee for ALD Automotive S.A., Spain, up to a maximum of EUR 50,000.

On 2 March 2009 the parent company signed annex no. 1 to the agreement concerning a registered pledge on current assets, which establishes the maximum amount of Raiffeisen Bank Polska S.A.'s collateral for debt claims at PLN 8,700,000. The registered pledge agreement is associated with the Debt Transfer Agreement of 24 September 2008 concluded between City Interactive S.A. and Raiffeisen Bank Polska S.A. On 29 October 2009 the Company executed annex no. 3 to the credit agreement of 24 September 208 and annex no. 6 to the debt claim limit agreement of 24 September 2008 with Raiffaisen Bank Polska S.A. The total credit limit after changes amounts to PLN 3,800,000. Annex no. 2 to the agreement concerning a registered pledge on current assets of 20 November 2008 was also signed with the same bank. The new level of the pledge is PLN 5,700,000.

IX. Organisational description of the Issuer's Group with indication of entities subject to consolidation.

As at 31 March 2010, the following entities make up the Group:

- **City Interactive S.A.**, having its registered office in Warsaw, Poland. Share capital of PLN 1,265,000. Parent company.

- **City Interactive Germany GmbH** – company having its registered office in Frankfurt am Main, Germany. Share capital EUR 25,000. 100% of shares held by City Interactive S.A. Company subject to consolidation as of the second quarter of 2008.

- **City Interactive USA Inc**. – company having its registered office in Delaware, USA. Share capital USD 50,000. 100% of shares held by City Interactive S.A. Company subject to consolidation as of the second quarter of 2008.

- **City Interactive UK, Ltd**. – company having its registered office in Manchester, UK. Founding capital of GBP 100. 100% of shares held by City Interactive S.A. This company is not subject to consolidation with regard to the fact that its financial results are insignificant for assessment of the Issuer's situation.

- **City Interactive Spain S.L.** – company having its registered office in Madrid, Spain. Share capital EUR 3,600. 100% of shares held by City Interactive S.A. The company is subject to consolidation as of the fourth quarter of 2008, whereas on 1 January 2010, after creation of revaluation write-offs on receivables, it was excluded from consolidation.

Furthermore, throughout 2008 the parent company acquired shares in the following entities operating in South America and subsequently opted out of their further development. These entities are currently not subject to consolidation with regard to discontinuation of their activity and the creation of provisions at the parent company level:

- City Interactive Peru SAC (formerly UCRONICS SAC) – a company having its registered office in Lima, Peru. 99% share. Share capital PEN 6,000. The company was subject to consolidation from the date of acquisition of a controlling block of shares to the end of 2008. The Issuer intends to completely liquidate or dispose of shares in the company.
- City Interactive Jogos Electronicos LTDA – company having its registered office in Sao Paulo, Brazil. Founding capital of BRL 100,000. 90% share, remaining 10% held by City Interactive USA, Inc.
- City Interactive Mexico S.A. de C.V. – company having its registered office in Mexico City, Mexico. Founding capital of MXN 50,000. 95% share, remaining 5% held by City Interactive USA, Inc.

X. Indication of the effects of changes in the structure of the economic entity, including as a result of merging economic entities, acquisition or disposal of group entities, non-current investments, divisions, restructuring and discontinuation of activity

There were no changes in Group structure during the reporting period.

XI. Company Management's position concerning the possibility to provide prior publication of forecasted results for a given financial year in light of results presented in the quarterly report in relation to forecasted results

The Company's Management did not publish any forecasts concerning 2010.

XII. Indication of shareholders directly or indirectly through subsidiaries holding at least 5% of total votes at the Company's Shareholder Meeting as at the date of publishing the quarterly report, with indication of the number of shares held by such entities, their percentage in share capital,

the number of votes carried thereby and their percentage share in the total number of votes at the Shareholder Meeting, together with indication of changes in the ownership structure of significant blocks of the Issuer's shares during the period after publication of the previous quarterly report

The Company's share capital amounts to PLN 1,265,000 (say: one million, two hundred and sixty-five thousand Polish zloty) and is divided into 12,650,000 shares of a nominal value of PLN 0.10 each.

The total number of votes at the general meeting of shareholders is 12,650,000.

The only shareholder with at least 5% of total votes at the Company's Shareholder Meeting as at the date of publishing the quarterly report for the first quarter of 2010 is Marek Tymiński. Mr. Tymiński holds 7,208,704 shares in the Issuer, carrying 56.99% of shares in the Issuer's share capital and in the total number of votes at the Shareholder Meeting.

XIII. Presentation of shareholdings in City Interactive S.A. or right to shares by the Issuer's management or supervisory personnel as at the date of publishing the quarterly report, together with indication of change in shareholding during the period from publication of the previous quarterly report, presented individually for each person.

Person	Position	As at 1 March 2010 (date of publishing the report for the fourth quarter of 2009)	Increase in shareholding during the period 2 March 2010 to 17 May 2010	Decrease in shareholding during the period 2 March 2010 to 17 May 2010	As at 17 March 2010 (date of publishing the report for the first quarter of 2010)
Marek Tymiński	President of the Management Board	7 208 704	-	-	7 208 704
Artur Winiarski	Member of the Management Board	20 000	-	-	20 000
Lech Tymiński	Member of the Management Board	48 565	-	-	48 565
Grzegorz Leszczyński	Member of the Management Board	409 328	-	-	409 328

XIV. Indication of proceedings in progress before a court, competent authority for arbitration proceedings or public administration authority

There are proceedings in progress before the Supreme Administrative Court in connection with an appeal filed by the Ministry of Finance against the judgement of the Voivodship Administrative Court in Warsaw of 20 April 2009 (case file no. III SA/Wa 3276/08) overruling the individual interpretation of the Minister of Finance of 8 August 2008 (IP-PB3-423-754/08-2/JG), appealed against by the Company, which recognised the Company's position concerning recognition of tax-deductible expenses connected with implementation of a development strategy as incorrect. On 29 June 2009 the Company submitted a response to the appeal against the verdict in relation to the aforementioned complaint. On 9 February 2010 the Supreme Administrative Court overruled the appealed verdict and transferred the case for re-examination to a lower court.

Enforcement proceedings are in progress before a German court as a result of a suit brought by the parent company against CDV Deutschland GmbH. On 29 April 2010 a judgement was issued by the court ordering CDV Deutschland GmbH to pay EUR 252,100.30 to City Interactive S.A. (including interest), together with additional costs of the proceedings and legal representation.

The Company has no information concerning other judicial or administrative proceedings in progress against it.

XIV. Information on conclusion by the Issuer or its subsidiary or one or more transactions with related entities, if these are individually or jointly significant and have been executed on conditions other than market conditions, with indication of their values

During the reporting period the parent company and related companies did not execute transactions which were atypical, exceeded the normal course of the business' operating activities with related entities and which were significant either individually or jointly.

XV. Information on grant by the Issuer or its subsidiary of sureties for credit or loans or grant of guarantees – total to one entity or subsidiary from such entity if the total value of existing sureties or guarantees constitutes the equivalent of at least 10% of the Company's equity

During the period from 1 January 2010 to 31 March 2010 there were no sureties or guarantees granted constituting at least 10% of the Company's shareholder capital.

XVI. Other information which the Company's Management Board believes is essential for assessment of its HR, property or financial situations, financial result and change thereto, as well as information essential for assessing the Issuer's ability to satisfy its liabilities

There is no information which could be essential for assessment of the Group's ability to satisfy its liabilities.

XVII. Indication of factors which, in the opinion of the Issuer's Management Board, may have an impact on achievement by the Company of financial results in the perspective of at least the subsequent quarter

The Group is implementing a development strategy aimed at systematically diverging from the development and release of low price segment games and simultaneously placing emphasis on the development of products in the Premium segment with higher retail prices. In 2010 there was an increase in console games within the Group's product portfolio. Key titles in the Group's publishing plan are: Sniper Ghost Warrior for the Xbox 360 console and

PC, Art of Murder for the NDS console, together with Combat Wings: The Great Battles of WW II for the Wii console. These products are in their final production phases and will be released in the second and third quarters of 2010. In the fourth quarter of 2010 the Group anticipates release of Chronicles of Mystery 2 DS – a subsequent title in the Company's bestselling console game to date. In the Management Board's opinion, the première of this game should be at least as successful as the first title.

A subsequent significant factor which should cause an increase in City Interactive S.A.'s results will be the intensification of the Company's international sales. The Issuer has commenced cooperation with The Producers Limited – a company belonging to the Mastertronic Group Limited, having its registered office in Huntingdon, UK. The Producers Ltd. will provide services connected with logistics and distribution of the Issuer's products in the UK, including the Isle of Man and Ireland.

The North American market will most probably constitute the largest share in the Group's revenues in the first half of 2010. The United States is the world's largest video game market. The Company maintains active commercial relations with the largest commercial chains selling video games. Released in October 2009, Chronicles of Mystery for the Nintendo DS is the Group's best selling product, both in the US and globally. This is confirmation of the correct decision to change strategy, consisting of the gradual production of an ever greater amount of high quality games and, depending on the sales market, with appropriately high retail prices.

The Group's aim in the near future is to intensify sales, develop distribution channels, including on the internet, and increase the share of console games in the Company's publishing portfolio.

Development of the City Interactive Group

In the Management Board's opinion, the Group has the right qualifications to create and release games both in the Value and Premium segments. Games created for the Microsoft Xbox 360, Nintendo Wii and Nintendo DS platforms, together with adventure games for the PC, have the greatest commercial potential and will compete with others currently on the market. The Group expects that the majority of these will be successful, which will lead to a significant increase in financial results and provide a foundation for the Group's position in the higher price segment. The Company also releases many products in its current price segment and maximises sales of previously released games (back catalogue). Amongst others, thanks to these activities the Group achieved high revenues from sale in the first quarter of 2010 despite postponing the most significant premières until subsequent quarters.

The Group is consequently developing an international distribution network. The City Interactive Group has its own offices in the United States, Great Britain and Germany, responsible for sales and marketing on the majority of the most important sales markets in the European Union and North America. Each of these has the potential to generate significant positive financial flows and cause a visible increase in the Group's net revenues and profit.

The key premières for 2010 are presented below:

Title	Quarter	Platform	Genre
Sniper: Ghost Warrior	**Q2'10**	**Xbox360/ PC**	**Shooter**
Jewels of Tropical Lost Island	**Q2'10**	**NDS**	**Logic/Puzzle**
Combat Wings: The Great Battles of WW II	**Q3'10**	**Wii**	**Arcade**
Art of Murder: FBI Top Secret	**Q3'10**	**NDS**	**Adventure**
Farm Frenzy: Animal Country	**Q3'10**	**NDS**	**Time management**
Chronicles of Mystery 2	**Q4'10**	**NDS**	**Hidden Objects**

PC – personal computers
NDS – Nintendo Dual Screen console
Wii – Nintendo Wii console
Xbox 360 – Microsoft Xbox 360 console

- **Sniper: Ghost Warrior Xbox 360 / PC** – the first title for the Microsoft Xbox 360 console, which has great commercial potential given the high quality of the game and the popularity of the genre (shooter). The product will also be available for the PC using the latest Chrome engine technology, and a team with many years' experience in designing action games are working on its development.

- **Jewels of Tropical Lost Island NDS** – logic game with storyline set on a tropical island based on a pirate adventure. The player's task is to appropriately arrange objects which in certain combinations will disappear. This well-known PC game genre is becoming ever more popular on the Nintendo DS platform.

- **Combat Wings: The Great Battles of WWII Wii** – aircraft action game based on the Company's experience in developing titles in this segment. The genre is popular amongst video games, however in the last 2 years there have been no premières of aircraft games on the Wii platform set during the second world war.

- **Art of Murder: FBI Top Secret NDS** – game in the same genre as Chronicles of Mystery NDS, although longer, more in-depth and designed taking into consideration consumers' comments about the above game.

- **Farm Frenzy: Animal Country NDS** – game in which the player's task is to run a farm and make money. Farm Frenzy is one of the most well-known Time Management type games available for PC. Due to its popularity, the game is already in its third incarnation. Transfer of the game to the NDS console means the brand has access to a new, wide client base.

- **Chronicles of Mystery 2 NDS** – second part of this adventure game with hidden objects and logic and skill puzzles. The previous release of the game is the Company's greatest success on the console games market.

MANAGEMENT BOARD:

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Marek Tymiński	Artur Winiarski
President of the Management Board	Member of the Management Board

Warsaw, ……………………………