CITY INTERACTIVE GROUP

CONSOLIDATED QUARTERLY REPORT

FOR THE FIRST QUARTER OF 2011

Warsaw, May 16, 2011

CONTENTS

I. CONSOLIDATED DATA FOR THE CITY INTERACTIVE GROUP

CONSOLIDATED BALANCE SHEET

prepared as at March 31, 2011 PLN

	ASSETS	as at Mar 31, 2011	as at Mar 31, 2010	as at Dec 31, 2010
A.	**NON-CURRENT ASSETS**	**17 468 887**	**14 831 955**	**16 789 278**
	Property, plant and equipment	408 465	426 315	441 650
	Intangible assets	14 280 880	11 053 228	13 111 040
	Goodwill	3 794	-	3 794
	Investment property	-	-	-
	Interests in subsidiaries	17 555	13 904	12 092
	Non-current assets held for sale	-	-	-
	Deferred income tax assets	2 758 194	3 338 508	3 220 703
	Other non-current assets	-	-	-
B.	**CURRENT ASSETS**	**35 795 412**	**23 750 088**	**42 828 162**
	Inventory	4 450 298	5 210 154	5 244 459
	Short-term investments	902 156	72 998	900 741
	Prepayments	1 911 817	-	1 249 275
	Trade receivables	13 765 760	13 719 762	17 176 979
	Deferred tax receivables	-	386 604	32 487
	Cash and cash equivalents	12 147 810	1 258 581	15 521 080
	Other current assets	2 617 572	3 101 989	2 703 142
	TOTAL ASSETS	**53 264 299**	**38 582 043**	**59 617 441**

CONSOLIDATED BALANCE SHEET

prepared as at March 31, 2011

PLN

	EQUITY AND LIABILITIES	as at Mar 31, 2011	as at Mar 31, 2010	as at Dec 31, 2010
A.	**EQUITY**	**44 100 504**	**20 552 628**	**42 961 862**
	Share capital	1 265 000	1 265 000	1 265 000
	Share premium	4 544 564	20 555 689	4 555 689
	Incentive scheme provision	293 675	293 675	282 550
	Unregistered capital	-	-	-
	Own share purchase provision	16 000 000	-	16 000 000
	Own shares	-	-	-
	Exchange differences on net investments in entities operating abroad	10 295	43 989	3 419
	Retained earnings	21 986 971	-1 605 725	20 855 203
	Equity attributable to the parent	**44 100 504**	**20 552 628**	**42 961 862**
	Equity attributable to non-controlling interests	-	-	-
B.	**LIABILITIES**	**9 163 795**	**18 029 415**	**16 655 579**
	Total non-current liabilities	**195 245**	**135 488**	**201 443**
	Borrowings including credits, loans and other debt instruments	-	-	-
	Provision for pensions and similar	41 060	31 443	13 530
	Finance lease liabilities	47 693	39 811	54 026
	Deferred income tax provision	106 492	64 233	133 887
	Total current liabilities	**8 968 550**	**17 893 927**	**16 454 137**
	Borrowings including credits, loans and other debt instruments	108 938	7 500 130	5 133 972
	Income tax liabilities	-	-	730 222
	Trade and other payables	7 635 646	9 893 028	9 805 382
	Other current provisions	1 223 967	500 770	784 560
	TOTAL EQUITY AND LIABILITIES	**53 264 299**	**38 582 043**	**59 617 441**

Book value in PLN	44 100 504	20 552 628	42 961 862
Number of shares	12 650 000	12 650 000	12 650 000
Book value per share	3.49	1.62	3.40

CONSOLIDATED PROFIT AND LOSS STATEMENT

for the period from January 1 to March 31, 2011
(multiple-step format)

PLN

item	for the period Jan 1 - Mar 31, 2011	for the period Jan 1 - Mar 31, 2010	for the period Jan 1 - Dec 31, 2010
Continuing operations			
Net revenue from sale	**13 381 758**	**11 426 406**	**89 037 340**
Revenue from sale of products and services	13 057 232	11 332 438	88 367 068
Revenue from sale of goods for resale and materials	324 526	93 968	670 271
Cost of products, goods for resale and services sold	**7 774 565**	**4 749 442**	**35 884 923**
Cost of manufacture of products sold	7 552 863	4 697 986	35 177 137
Value of goods for resale and materials sold	221 702	51 456	707 786
Gross profit (loss) on sales	**5 607 193**	**6 676 964**	**53 152 416**
Other operating revenues	157 632	5 296	1 056 706
Distribution costs	2 955 971	1 164 258	10 271 467
Administrative expenses	1 112 916	807 236	4 937 856
Other operating costs	170 388	161 505	4 812 154
Profit (loss) on operating activities	**1 525 551**	**4 549 261**	**34 187 646**
Finance income	121 460	1 566	48 069
Finance costs	108 529	628 736	1 692 920
Profit (loss) before tax	**1 538 481**	**3 922 091**	**32 542 795**
Income tax	406 714	624 833	5 649 585
Profit (loss) on continuing operations	**1 131 767**	**3 297 258**	**26 893 210**
Discontinued operations	**-**	**-**	**-**
Loss on discontinued operations	**-**	**-**	**-**
NET PROFIT (LOSS)	**1 131 767**	**3 297 258**	**26 893 210**

Net profit (loss)	1 131 767	3 297 258	26 893 210
Number of ordinary shares	12 650 000	12 650 000	12 650 000
Profit (loss) per ordinary share (in PLN)	0.09	0.26	2.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from January 1 to March 31, 2011

PLN

item	for the period Jan 1 - Mar 31, 2011	for the period Jan 1 - Mar 31, 2010	for the period Jan 1 - Dec 31, 2010
Net profit for the year	**1 131 767**	**3 297 258**	**26 893 210**
Other total gross comprehensive income:			
Exchange differences from translation of foreign entities	6 875	-48 476	-89 046
Available-for-sale financial assets	-	-	-
Cash flow hedges (gross including tax)	-	-	-
Gain on revaluation of properties	-	-	-
Actuarial gains / losses on defined benefit plans	-	-	-
Share of total other profits of associates	-	-	-
Income tax on elements of other total income	-	-	-
Other comprehensive income after tax (net, in accordance with the balance sheet)	6 875	-48 476	-89 046
Total comprehensive income	**1 138 643**	**3 248 782**	**26 804 164**
Total comprehensive income attributable to:			
% share attributable to the parent:	*100%*	*100%*	*100%*
owners of the parent	1 138 643	3 248 782	26 804 164
non-controlling interests	-	-	-
Total	**1 138 643**	**3 248 782**	**26 804 164**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to March 31, 2011

PLN

	for the period Jan 1 - March 31, 2011	Share capital	Share premium	Own share purchase provision	Incentive scheme provision	Retained earnings	Net investments in foreign operations	Total equity
1.	**Balance as at January 1, 2011**	**1 265 000**	**4 555 689**	**16 000 000**	**282 550**	**20 855 203**	**3 419**	**42 961 862**
2.	Opening balance transition	-	-	-	-	-	-	**-**
3.	**Balance as at January 1, 2010 after transition**	**1 265 000**	**4 555 689**	**16 000 000**	**282 550**	**20 855 203**	**3 419**	**42 961 862**
	Changes in equity during the first quarter of 2011							
4.	Profit (loss) for the period	-	-	-	-	1 131 767	-	1 131 767
5.	Increase / decrease of capital	-	-	-	-	-	-	-
6.	Incentive scheme provision	-	-	-	-	-	-	-
7.	Increase due to exchange differences on net investments in foreign operations	-	-	-	-	-	6 875	6 875
8.	Changes in the group subject to consolidation	-	-	-	-	-	-	-
	Balance as at March 31, 2011	**1 265 000**	**4 555 689**	**16 000 000**	**282 550**	**21 986 971**	**10 295**	**44 100 504**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to March 31, 2011

COMPARATIVE DATA for the period January 1 - March 31, 2010		Share capital	Share premium	Own share purchase provision	Incentive scheme provision	Retained earnings	Net investments in foreign operations	Total equity
1.	**Balance as at January 1, 2010**	**1 265 000**	**20 849 364**	**-**		**- 4 510 573**	**92 465**	**17 696 257**
2.	Opening balance transition	-	-	-	-	-	-	-
3.	**Balance as at January 1, 2010 after transition**	**1 265 000**	**20 849 364**	**-**	**-**	**- 4 510 573**	**92 465**	**17 696 257**
	Changes in equity during the first quarter of 2010							
4.	Profit (loss) for the period	-	-	-	-	3 297 258	-	3 297 258
5.	Increase / decrease of capital	-	-	-	-	-	-	-
6.	Incentive scheme provision	-	-	-	-	-	-	-
7.	Increase due to exchange differences on net investments in foreign operations	-	-	-	-	-	- 48 476	- 48 476
8.	Changes in the group subject to consolidation	-	-	-	-	- 392 411	-	- 392 411
	As at March 31, 2010	**1 265 000**	**20 849 364**	**-**	**-**	**- 1 605 725**	**43 989**	**20 552 628**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to March 31, 2011

	COMPARATIVE DATA for the period January 1 - December 31, 2010	Share capital	Share premium	Own share purchase provision	Incentive scheme provision	Retained earnings	Net investments in foreign operations	Total equity
1.	**Balance as at January 1, 2010**	**1 265 000**	**20 555 689**	**-**	**293 675**	**- 4 510 573**	**92 465**	**17 696 257**
2.	Opening balance transition	-	-	-	-	- 891 575	-	- 891 575
3.	**Balance as at January 1, 2010 after transition**	**1 265 000**	**20 555 689**	**-**	**293 675**	**- 5 402 147**	**92 465**	**16 804 682**
	Changes in equity during 2010							
4.	Profit (loss) for the period	-	-	-	-	26 893 210	-	26 893 210
5.	Increase / decrease of capital	-	- 16 000 000	16 000 000	-	-	-	-
6.	Revaluation	-	-	-	- 11 125	-	-	- 11 125
7.	Increase due to exchange differences on net investments in foreign operations	-	-	-	-	-	- 89 046	- 89 046
8.	Reversal of exclusion of margin capitalized in previous periods	-	-	-	-	- 243 449	-	- 243 449
9.	Changes in the group subject to consolidation	-	-	-	-	- 392 411	-	- 392 411
	Balance as at December 31, 2010	**1 265 000**	**4 555 689**	**16 000 000**	**282 550**	**20 855 203**	**3 419**	**42 961 862**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from January 1 to March 31, 2011
(indirect method)

PLN

	content	for the period Jan 1 - Mar 31, 2011	for the period Jan 1 - Mar 31, 2010	for the period Jan 1 - Dec 31, 2010
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
I.	**Gross profit (loss)**	**1 538 481**	**3 922 091**	**32 542 795**
II.	**Total adjustments**	**2 987 286**	**-1 613 728**	**-3 771 756**
1.	Depreciation / amortization	1 580 259	1 396 551	5 983 514
2.	Fixed asset revaluation	-	-	528 203
3.	Creation (reversal) of revaluations	-	-	1 950 624
5.	Gain (loss) on exchange differences	-8 816	-75 107	142 645
6.	Less value of available-for-sale instruments	-37 455	-	-360 455
7.	Gain (loss) on sale of fixed assets	-7 958	-	5 684
8.	Interest	103 204	200 371	612 839
9.	Change in receivables	2 486 572	-2 927 605	-8 704 990
10.	Change in inventories	746 575	428 844	247 735
11.	Change in trade and other payables	-1 172 333	669 908	2 090 131
12.	Change in provisions and liabilities for employee benefits	27 530	-9 410	4 120
13.	Incentive scheme	-	-	-11 125
14.	Reversal of exclusion of margin capitalized in previous periods	-	-	-243 449
15.	Other adjustments	-	-910 675	-
16.	Tax paid	-730 293	-386 604	-3 698 552
17.	Adjustment to 2008 result	-	-	-1 431 014
18.	Adjustment to 2009 result	-	-	-887 665
III.	**Net cash flows from operating activities**	**4 525 768**	**2 308 362**	**28 771 039**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period from January 1 to March 31, 2011

	content	for the period Jan 1 - Mar 31, 2011	for the period Jan 1 - Mar 31, 2010	for the period Jan 1 - Dec 31, 2010
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
1.	Proceeds from sale of property, plant and equipment and intangible assets	15 300	-	-
2.	Proceeds from sale of financial assets	-	-	-
3.	Repayment of borrowings	-	-	-
4.	Interest received	-	-	-
5.	Other proceeds from financial assets	-	-	-
6.	Cash outflows on acquisition of property, plant and equipment and intangible assets	-106 642	-213 266	-1 216 462
7.	Payments for purchase of financial assets	-5 434	-	-8 794
8.	Cash outflows on R&D	-2 618 745	-1 839 059	-9 640 747
9.	Other cash outflows under borrowings	-	-205 402	-508 738
10.	Other expenditures	-	-	-117 888
11.	**Net cash from investing activities**	**-2 715 520**	**-2 257 727**	**-11 492 629**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
1.	Net proceeds from issue of shares and other equity instruments	-	-	5 000
2.	Incurrence of borrowings	-	2 782 557	2 745 235
3.	Issue of debt securities	-	-	-
4.	Dividends and other payments to the owners	-	-	-
5.	Borrowings granted	-	-	-
6.	Expenditures on borrowings repayment	-	-2 454 015	-4 786 644
7.	Buy-back of debt securities	-5 000 000	-	-
8.	Payment of liabilities under finance lease agreements	-52 220	-50 417	-214 551
9.	Interest	-131 297	-201 045	-631 839
10.	Other finance costs	-	-	-5 396
	Net cash from financing activities	**-5 183 517**	**77 080**	**-2 888 195**
D.	**TOTAL NET CASH FLOWS**	**-3 373 270**	**127 715**	**14 390 215**
E.	**BALANCE SHEET CHANGES IN CASH AND CASH EQUIVALENTS, of which:**	**-3 373 270**	**127 715**	**14 390 215**
E.	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD**	**15 521 080**	**1 130 865**	**1 130 865**
F.	**CASH AND CASH EQUIVALENTS AT THE END OF PERIOD**	**12 147 810**	**1 258 581**	**15 21 080**

II. SEPARATE DATA FOR CITY INTERACTIVE S.A.

BALANCE SHEET

prepared as at March 31, 2011

PLN

ASSETS		as at Mar 31, 2011	as at Mar 31, 2010	as at Dec 31, 2010
A.	**NON-CURRENT ASSETS**	**16 949 050**	**14 609 312**	**16 371 554**
	Property, plant and equipment	398 731	400 754	428 061
	Intangible assets	14 156 420	11 051 208	13 110 418
	Goodwill	-	-	-
	Investment property	-	-	-
	Interests in subsidiaries	262 813	254 059	268 099
	Non-current assets held for sale	-	-	-
	Deferred income tax assets	2 131 086	2 903 291	2 564 976
	Other non-current assets	-	-	-
B.	**CURRENT ASSETS**	**36 230 472**	**24 267 885**	**43 229 572**
	Inventory	3 396 077	4 092 081	4 285 520
	Short-term investments	1 684 355	620 075	1 026 116
	Advances paid	1 412 035	-	1 239 802
	Trade receivables	16 354 245	16 075 991	19 476 861
	Deferred tax receivables	-	386 604	-
	Cash and cash equivalents	10 945 644	56 474	14 639 825
	Other current assets	2 438 116	3 036 661	2 561 449
TOTAL ASSETS		**53 179 522**	**38 877 197**	**59 601 126**

BALANCE SHEET

prepared as at March 31, 2011

PLN

	EQUITY AND LIABILITIES	as at Mar 31, 2011	as at Mar 31, 2010	as at Dec 31, 2010
A.	**EQUITY**	**44 637 843**	**21 078 960**	**43 556 832**
	Share capital	1 265 000	1 265 000	1 265 000
	Share premium	4 555 689	20 555 689	4 555 689
	Incentive scheme provision	282 550	293 675	282 550
	Unregistered capital	-	-	-
	Revaluation provision	36 623	46 131	42 411
	Own share purchase provision	16 000 000	-	16 000 000
	Own shares	-	-	-
	Equity elements relating to available-for-sale assets	-	-	-
	Retained earnings	22 497 981	- 1 081 535	21 411 183
	Equity attributable to the parent	**44 637 843**	**21 078 960**	**43 556 832**
	Equity attributable to non-controlling interests	-	-	-
B.	**LIABILITIES**	**8 541 679**	**17 798 237**	**16 044 293**
	Total non-current liabilities	**195 048**	**135 488**	**201 437**
	Borrowings including credits, loans and other debt instruments	-	-	-
	Provision for pensions and similar	41 060	31 443	13 530
	Finance lease liabilities	47 693	39 811	54 026
	Other long-term provisions	-	-	
	Deferred income tax provision	106 295	64 233	133 881
	Total current liabilities	**8 346 631**	**17 662 750**	**15 842 857**
	Borrowings including credits, loans and other debt instruments	65 268	7 500 130	5 133 972
	Income tax liabilities		-	730 222
	Trade and other payables	7 065 406	9 673 437	9 202 073
	Other current provisions	1 215 958	489 183	776 590
	TOTAL EQUITY AND LIABILITIES	**53 179 522**	**38 877 197**	**59 601 126**

Book value in PLN	44 637 843	21 078 960	43 556 832
Number of shares	12 650 000	12 650 000	12 650 000
Book value per share	3.53	1.67	3.44

PROFIT AND LOSS STATEMENT

for the period from January 1 to March 31, 2011
(multiple-step format)

PLN

item	for the period Jan 1 - Mar 31, 2011	for the period Jan 1 - Mar 31, 2010	for the period Jan 1 - Dec 31, 2010
Continuing operations			
Net revenue from sale	**10 288 915**	**10 124 201**	**75 540 069**
Revenue from sale of products and services	9 962 570	10 030 233	74 869 797
Revenue from sale of goods for resale and materials	326 345	93 968	670 271
Cost of products, goods for resale and services sold	**6 116 011**	**4 147 169**	**26 820 130**
Cost of manufacture of products sold	5 894 637	4 095 713	26 112 344
Value of goods for resale and materials sold	221 375	51 456	707 786
Gross profit (loss) on sales (A - B)	**4 172 904**	**5 977 032**	**48 719 939**
Other operating revenues	156 776	5 296	1 049 228
Distribution costs	1 801 518	760 921	8 272 046
Administrative expenses	881 775	774 034	3 850 341
Other operating costs	165 179	160 331	4 780 741
Profit (loss) on operating activities	**1 481 207**	**4 287 042**	**32 866 039**
Finance income	120 422	6 727	53 992
Finance costs	108 526	628 718	1 230 112
Profit (loss) before tax	**1 493 103**	**3 665 051**	**31 689 919**
Income tax	406 304	627 340	5 866 868
Profit (loss) on continuing operations	**1 086 799**	**3 037 712**	**25 823 051**
Discontinued operations			
Loss on discontinued operations			
NET PROFIT (LOSS)	**1 086 799**	**3 037 712**	**25 823 051**

Net profit (loss)	1 086 799	3 037 712	25 823 051
Number of ordinary shares	12 650 000	12 650 000	12 650 000
Profit (loss) per ordinary share (in PLN)	0.09	0.24	2.04

STATEMENT OF COMPREHENSIVE INCOME

for the period from January 1 to March 31, 2011

PLN

item	for the period Jan 1 - Mar 31, 2011	for the period Jan 1 - Mar 31, 2010	for the period Jan 1 - Dec 31, 2010
Net profit for the year	**1 086 799**	**3 037 712**	**25 823 051**
Other total gross comprehensive income:			- 9 671
Result of financial asset valuations	- 5 788	- 5 951	- 9 671
Available-for-sale financial assets	-	-	-
Cash flow hedges (gross including tax)	-	-	-
Gain on revaluation of properties	-	-	-
Actuarial gains / losses on defined benefit plans	-	-	-
Share of total other profits of associates	-	-	-
Income tax on elements of other total income	-	-	-
Other comprehensive income after tax (net, in accordance with the balance sheet)	- 5 788	- 5 951	- 9 671
Total comprehensive income	**1 081 011**	**3 031 761**	**25 813 380**
Total comprehensive income attributable to:			
% share attributable to the parent:	*100%*	*100%*	*100%*
owners of the parent	1 081 011	3 031 761	25 813 380
non-controlling interests	-	-	-
Total	**1 081 011**	**3 031 761**	**25 813 380**

STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to March 31, 2011

PLN

	for the period Jan 1 - March 31, 2011	Share capital	Share premium	Provision for buyback of own shares	Revaluation provision	Incentive scheme provision	Retained earnings	Total equity
1.	**Balance as at January 1, 2011**	**1 265 000**	**4 555 689**	**16 000 000**	**42 411**	**282 550**	**21 411 183**	**43 556 832**
2.	Changes in the accounting principles (policies)	-	-	-	-	-	-	-
3.	**Balance as at January 1, 2011 after transition**	**1 265 000**	**4 555 689**	**16 000 000**	**42 411**	**282 550**	**21 411 183**	**43 556 832**
	Changes in equity during the first quarter of 2011							
4.	Profit (loss) for the period	-	-	-	-	-	1 086 799	1 086 799
5.	Acquisition / disposal of own shares	-	-	-	-	-	-	-
6.	Dividend payment to shareholders	-	-	-	-	-	-	-
7.	Share issue	-	-	-	-	-	-	-
8.	Share issue costs	-	-	-	-	-	-	-
9.	Profit distribution	-	-	-	-	-	-	-
10.	Decreases due to revaluation	-	-	-	- 5 788	-	-	- 5 788
11.	Prior-period result adjustment	-	-	-	-	-	-	-
	Balance as at March 31, 2011	**1 265 000**	**4 555 689**	**16 000 000**	**36 623**	**282 550**	**22 497 981**	**44 637 843**

STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to March 31, 2011

COMPARATIVE DATA for the period January 1 - March 31, 2010		Share capital	Share premium	Provision for buybuck of own shares	Revaluation provision	Incentive scheme provision	Retained earnings	Total equity
1.	**Balance as at January 1, 2010**	**1 265 000**	**20 555 689**	**-**	**52 082**	**293 675**	**- 4 119 247**	**18 047 199**
2.	Changes in the accounting principles (policies)	-	-	-	-	-	-	-
3.	**Balance as at January 1, 2010 after transition**	**1 265 000**	**20 555 689**	**-**	**52 082**	**293 675**	**- 4 119 247**	**18 047 199**
	Changes in equity during the first quarter of 2010							
4.	Profit (loss) for the period	-	-	-	-	-	3 037 712	3 037 712
5.	Acquisition / disposal of own shares	-	-	-	-	-	-	-
6.	Dividend payment to shareholders	-	-	-	-	-	-	-
7.	Share issue	-	-	-	-	-	-	-
8.	Share issue costs	-	-	-	-	-	-	-
9.	Profit distribution	-	-	-	-	-	-	-
10.	Decreases due to revaluation	-	-	-	- 5 951	-	-	- 5 951
11.	Prior-period result adjustment	-	-	-	-	-	-	-
As at March 31, 2010		**1 265 000**	**20 555 689**	**-**	**46 131**	**293 675**	**- 1 081 535**	**21 078 960**

STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to March 31, 2011

COMPARATIVE DATA for the period January 1 - December 31, 2010		Share capital	Share premium	Provision for buyback of own shares	Revaluation provision	Incentive scheme provision	Retained earnings	Total equity
1.	**Balance as at January 1, 2010**	**1 265 000**	**20 555 689**	**-**	**52 082**	**293 675**	**-4 119 247**	**18 047 199**
2.	Opening balance transition	-	-	-	-	-	-292 621	-292 621
3.	**Balance as at January 1, 2010 after transition**	**1 265 000**	**20 555 689**	**-**	**52 082**	**293 675**	**-4 411 868**	**17 754 578**
	Changes in equity in 2010							
4.	Profit (loss) for the period	-	-	-	-	-	25 823 051	25 823 051
5.	Acquisition / disposal of own shares	-	-	-	-	-	-	-
6.	Creation of provision for acquisition of own shares	-	-16 000 000	16 000 000	-	-	-	-
7.	Dividend payment to shareholders	-	-	-	-	-	-	-
8.	Share issue	-	-	-	-	-	-	-
9.	Share issue costs	-	-	-	-	-	-	-
10.	Profit distribution	-	-	-	-	-	-	-
11.	Decreases due to revaluation	-	-	-	-9 671	-11 125	-	-20 796
12.	Prior-period result adjustment	-	-	-	-	-	-	-
	Balance as at December 31, 2010	**1 265 000**	**4 555 689**	**16 000 000**	**42 411**	**282 550**	**21 411 183**	**43 556 832**

STATEMENT OF CASH FLOWS

for the period from January 1 to March 31, 2011
(indirect method)

PLN

	item	for the period Jan 1 - Mar 31, 2011	for the period Jan 1 - Mar 31, 2010	for the period Jan 1 - Dec 31, 2010
I.	**Gross profit (loss)**	**1 493 102.83**	**3 665 051.49**	**31 689 919.11**
II.	**Total adjustments**	**3 210 250.76**	**-2 931 959.94**	**-4 480 228.82**
1.	Depreciation / amortization	1 575 899.44	1 390 981.59	5 960 470.80
2.	Property, plant and equipment revaluation	-	-	528 202.51
3.	Creation (reversal) of revaluations	-	-	1 950 623.91
4.	Other revaluation	-	-	-
5.	Gain (loss) on exchange differences	13 392.40	-69 679.00	122 234.45
6.	Gain (loss) on investing activities	-	-	-
7.	Gain (loss) on sale of fixed assets	-7 957.58	-	5 684.41
8.	Interest	103 204.45	200 371.49	612 838.69
9.	Less value of available-for-sale instruments	-37 455.00	-	-360 455.00
10.	Change in receivables	3 073 715.33	-4 416 505.00	-8 312 974.22
11.	Change in inventories	889 442.84	192 917.00	-521.40
12.	Change in trade and other payables	-1 697 228.12	1 128 310.49	442 859.72
13.	Change in provisions and liabilities for employee benefits	27 530.00	-9 410.00	4 119.83
14.	Incentive scheme	-	-	-11 125.00
15.	Tax paid	-730 293.00	-386 604.00	-3 698 552.00
16.	Other adjustments	-	29 488.49	-
17.	2008 result adjustment	-	-991 831.00	-1 431 014.32
18.	2009 result adjustment	-	-	-292 621.20
III.	**Net cash flows from operating activities**	**4 703 353.59**	**733 090.55**	**27 209 690.29**

STATEMENT OF CASH FLOWS

for the period from Jan 1 to Mar 31, 2011

	item	for the period Jan 1 - Mar 31, 2011	for the period Jan 1 - Mar 31, 2010	for the period Jan 1 - Dec 31, 2010
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
1.	Proceeds from sale of property, plant and equipment and intangible assets	15 300.00	-	-
2.	Proceeds from sale of financial assets	-	-	-
3.	Repayment of borrowings	-	-	1 276 769.85
4.	Interest received	-	-	20 620.73
5.	Other proceeds from financial assets	-	-	-
6.	Cash outflows on acquisition of subsidiaries	-	-	-8 794.00
7.	Cash outflows on acquisition of property, plant and equipment and intangible assets	-63 453.95	-212 111.49	-1 212 322.15
8.	Payments for acquisition of investment property	-	-	-
9.	Payments for purchase of financial assets	-502.37	-	-
10.	Cash outflows on R&D	-2 536 460.13	-1 839 059.49	-9 640 746.92
11.	Other income / costs from borrowings granted	-628 900.80	839 714.00	-449 653.00
12.	Other expenditures	-	-	-117 888.24
	Net cash from investing activities	**-3 214 017.25**	**-1 211 456.98**	**-10 132 013.73**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
1.	Net proceeds from issue of shares and other equity instruments	-	-	-
2.	Incurrence of borrowings	-	2 782 557.00	2 742 818.33
3.	Issue of debt securities	-	-	-
4.	Expenditures on borrowings repayment	-	-2 454 015.00	-4 786 643.53
5.	Buy-back of debt securities	-5 000 000.00	-	-
6.	Payment of liabilities under finance lease agreements	-52 220.00	-50 417.00	-214 551.49
7.	Interest	-131 296.94	-201 045.00	-631 838.77
8.	Other finance costs	-	-	-5 395.71
	Net cash from financing activities	**-5 183 516.94**	**77 080.00**	**-2 895 611.17**
D.	**TOTAL NET CASH FLOWS**	**-3 694 180.60**	**-401 285.43**	**14 182 065.39**
E.	**BALANCE SHEET CHANGES IN CASH AND CASH EQUIVALENTS, including:**	**-3 694 180.95**	**-401 285.00**	**14 182 065.38**
E.	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD**	**14 639 825.01**	**457 760.00**	**457 759.62**
F.	**CASH AND CASH EQUIVALENTS AT THE END OF PERIOD**	**10 945 644.06**	**56 474.00**	**14 39 825.00**

III. SELECTED FINANCIAL DATA

Selected consolidated and separate financial information contained in this report have been converted into EUR according to the following principles:

Balance sheet assets and liabilities according to the average exchange rate announced by the National Bank of Poland as at the end of the reporting period:

- as at December 31, 2010 – 3.9603

- as at March 31, 2010 – 3.8622

- as at March 31, 2011 – 4.0119

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 in a given quarter:

- after four quarters of 2010 – 4.0044

- after the first quarter of 2010 – 3.9669

- after the first quarter of 2011 – 3.9742

Selected consolidated financial data converted into EUR

	Q1 2011 period from Jan 1 to Mar 31, 2011		Q1 2010 period from Jan 1 to Mar 31, 2010	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Consolidated profit and loss statement				
Net revenue from sale of products, goods for resale and materials	**13 382**	**3 367**	**11 426**	2 880
Profit (loss) from operating activities	1 526	384	4 549	1 147
Gross profit (loss)	1 538	387	3 922	989
Net profit (loss)	**1 132**	285	**3 297**	831
Number of shares (in thousands)	12 650	12 650	12 650	12 650
Profit (loss) per ordinary share	0.09	0.02	0.26	0.07

	Q1 2011 period from Jan 1 to Mar 31, 2011		Q1 2010 period from Jan 1 to Mar 31, 2010	
Consolidated statement of cash flows				
Net cash flows from operating activities	4 526	1 139	2 308	582
Net cash flows from investing activities	-2 716	-683	-2 258	-569
Net cash flows from financing activities	-5 184	-1 304	77	19
Total net cash flows	**-3 373**	**-849**	**128**	**32**

	as at March 31, 2011		as at March 31, 2010		as at December 31, 2010	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Consolidated balance sheet						
Non-current assets	17 469	4 354	14 832	3 840	16 789	4 239
Current assets	35 795	8 922	23 750	6 149	42 828	10 814
Total assets	**53 264**	**13 277**	**38 582**	**9 990**	**59 617**	**15 054**
Equity	44 101	10 992	20 553	5 321	42 962	10 848
Share capital	1 265	315	1 265	328	1 265	319
Liabilities and provisions for liabilities	**9 164**	**2 284**	**18 029**	**4 668**	**16 656**	**4 206**
Non-current liabilities	195	49	135	35	201	51
Current liabilities	8 969	2 235	17 894	4 633	16 454	4 155
Total equity and liabilities	**53 264**	**13 277**	**38 582**	**9 990**	**59 617**	**15 054**

	Q1 2011 period from Jan 1 to Mar 31, 2011		4 quarters of 2010 period from Jan 1 to December 31, 2010	
	PLN thousands	**EUR thousands**	**PLN thousands**	**EUR thousands**
Consolidated profit and loss statement				
Net revenue from sale of products, goods for resale and materials	**13 382**	**3 367**	**89 037**	**22 235**
Profit (loss) from operating activities	1 526	384	34 188	8 538
Gross profit (loss)	1 538	387	32 543	8 127
Net profit (loss)	**1 132**	**285**	**26 893**	**6 716**
Number of shares (in thousands)	12 650	12 650	12 650	12 650
Profit (loss) per ordinary share	0.09	0.02	2.13	0.53
Consolidated statement of cash flows				
Net cash flows from operating activities	4 526	1 139	28 771	7 185
Net cash flows from investing activities	-2 716	-683	-11 493	-2 870
Net cash flows from financing activities	-5 184	-1 304	-2 888	-721
Total net cash flows	**-3 373**	**-849**	**14 390**	**3 594**

Selected separate financial data converted into EUR

	Q1 2011 period from Jan 1 to Mar 31, 2011		Q1 2010 period from Jan 1 to Mar 31, 2010	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Profit and loss statement				
Net revenue from sale of products, goods for resale and materials	**10 289**	**2 589**	**10 124**	**2 552**
Profit (loss) from operating activities	1 481	373	4 287	**1 081**
Gross profit (loss)	1 493	376	3 665	924
Net profit (loss)	**1 087**	**273**	**3 038**	**766**
Number of shares (in thousands)	12 650	12 650	12 650	12 650
Profit per ordinary share	0,09	0,02	0,24	0,06
Statement of cash flows				
Net cash flows from operating activities	4 703	1 183	733	185
Net cash flows from investing activities	-3 214	-809	-1 211	-305
Net cash flows from financing activities	-5 184	-1 304	77	19
Total net cash flows	**-3 694**	**-930**	**-401**	**-101**

	as at March 31, 2011		as at March 31, 2010		as at December 31, 2010	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Balance sheet						
Non-current assets	16 949	4 225	14 609	3 783	16 372	4 134
Current assets	36 230	9 031	24 268	6 283	43 230	10 916
Total assets	**53 180**	**13 255**	**38 877**	**10 066**	**59 601**	**15 050**
Equity	44 638	11 126	21 079	5 458	43 557	10 998
Share capital	1 265	315	1 265	328	1 265	319
Liabilities and provision for liabilities	**8 542**	**2 129**	**17 798**	**4 608**	**16 044**	**4 051**
Non-current liabilities	195	49	135	35	201	51
Current liabilities	8 347	2 080	17 663	4 573	15 843	4 000
Total equity and liabilities	**53 180**	**13 255**	**38 877**	**10 066**	**59 601**	**15 050**

	Q1 2011 period from Jan 1 to Mar 31, 2011		4 quarter of 2010 period from Jan 1 to Dec 31, 2010	
	PLN thousands	EUR thousands	PLN thousands	EUR thousands
Profit and loss statement				
Net revenue from sale of products, goods for resale and materials	**10 289**	**2 589**	**75 540**	**18 864**
Profit (loss) from operating activities	1 481	373	32 866	**8 208**
Gross profit (loss)	1 493	376	31 690	**7 914**
Net profit (loss)	**1 087**	**273**	**25 823**	**6 449**
Number of shares (in thousands)	12 650	12 650	12 560	12 650
Profit (loss) per ordinary share	0.09	0.02	2.06	0.51
Statement of cash flows				
Net cash flows from operating activities	4 703	1 183	27 210	6 795
Net cash flows from investing activities	-3 214	-809	-10 132	-2 530
Net cash flows from financing activities	-5 184	-1 304	-2 896	-723
Total net cash flows	**-3 694**	**-930**	**14 182**	**3 542**

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1 TO MARCH 31, 2011

1. Basis for presentation and preparation of the financial statements

a) The financial statements cover the period from March 1 to March 31, 2011. Comparative data covers the period from March 1 to March 31, 2010 and from January 1 to December 31, 2010, and also as at March 31, 2010 and as at December 31, 2010 (balance sheet).

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 posing a threat to its status as a going concern.

2. Adopted accounting principles

a) Application of the International Accounting Standards

The 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 January 1, 2007, together with the requirements of the Ordinance of the Minister of Finance of February 19, 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 recognized as equivalent (Polish Journal of Laws no. 33, item 259).

The financial statements for the period from January 1 to March 31, 2011 are subsequent financial statements prepared in accordance with IAS/IFRS. Comparative data is sourced from the financial statements prepared in accordance with IAS/IFRS. IAS/IFRS were adopted on January 1, 2007.

b) Basis for preparing 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. 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 judgments, 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 judgment concerning the carrying amount of assets and liabilities which does not directly result from their sources. Actual values may differ from estimates.

Estimates and associated assumptions are subject to systematic verification. Change in assumptions is recognized 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 January 1, 2007 for the purposes of transition 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 (fully consolidated). In drawing up the consolidated financial statements, the parent combines the financial statements of the parent and subsidiaries through summarizing 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's investments in subsidiaries and such part of the subsidiary's equity as corresponds to the parent'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 recognized 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. 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 share of 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 recognized 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 assets and liabilities of the subsidiary, associate or joint venture as at the acquisition date.

Goodwill acquired through a merger of commercial entities is not amortized. Goodwill is subject to impairment testing at least once per year. Any impairment is immediately recognized 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 unrealized profits or losses resulting thereunder, together with Group revenues and costs, are excluded during the preparation of the consolidated financial statements. Unrealized 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. Unrealized 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 purchase price for a given item may be measured reliably. Expenses for repair and maintenance are recognized 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 capitalized 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.

Profit or loss arising from disposal / liquidation or suspension of the use of fixed assets is 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 purchase price.

The Group does not amortize rights to perpetual usufruct of land. 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%

(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 ownership benefits and risk to the lessee. All other types of leases are treated as operating leases.

Assets used pursuant to a finance lease agreement are treated as the Group's assets and are measured at 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 interest and principal. Financial costs are recognized 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 capitalized. Other costs are capitalized only if they can reliably be measured and increase future economic benefits connected with a fixed asset. Other expenses are systematically recognized in the profit and loss statement.

e) Intangible assets

(i) Intangible assets

The Group recognizes intangible assets only when:

- it is probable that the future economic benefits that are attributable to the assets will flow to the Group, and
- the purchase price or cost of production of a given asset may be measured reliably.

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

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

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

Expenses on R&D work are recognized 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 capacity 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 amortization. Amortization 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 amortization period is equal to the period of economic usefulness of a resource held. The adopted amortization 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 amortized during the anticipated period of achieving revenues from sale of a product, however not longer than 3 years.

The Group does not amortize 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 recognized as a cost in the period it occurred, with the exception of a situation where an asset has been recognized at restated value (in this case the impairment is treated as a decrease in the previous restatement).

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 recognized 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 recognized at purchase price, less impairment.

Investments recognized 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 recognized at fair value and subsequently valued at amortized 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) Inventory

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 purchase 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 (purchase price or cost of production) or at net sale price depending on which is lower.

In relation to other inventories, costs are established 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 purchase.

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 recognized as cash and cash equivalents for the purposes of the statement of cash flows.

j) Financial instruments

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

The Group classifies each agreement which results in 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:

- 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,
- 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 amortized cost with application of the effective interest rate method, with the exception of loans granted by associates and own debt claims, valued using the effective interest method,
- available-for-sale financial instruments – financial assets other than loans granted and own receivables, assets held to maturity or financial assets not held for trading. Carried at fair value,
- 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 purchase 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 recognized 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 performs valuation at amortized costs, with consideration of the effective interest rate of:

- assets held to maturity,
- loans granted 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 recognized as finance income or costs when they arise.
Interests in other entities are valued at purchase price less impairment.

k) Share capital

Share capital has been recorded 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 recorded as a change in equity. Purchased shares are recorded as a decrease in equity.

Dividends

Dividends are recognized as a liability in the period in which they are authorized.

l) Provisions

Provisions are liabilities of uncertain time and amount.

Group companies create 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 fulfillment 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.

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

m) Payables

Trade and other payables are recognized at amortized cost.

n) Revenues

Revenue from sale of products and services includes sale of products manufactured by the Group to which it has exclusive license rights for their production or has purchased a license 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 recognized 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 recognized 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 recognized as costs and not as a correction of the initially recognized revenue amount.

Revenue from sale is recognized at the fair value of payments received or due and represents 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 recognized cumulatively in relation to the principal amount, in accordance with the effective interest rate method on lease.

o) Costs

The Group draws up a consolidated profit and loss statement in multiple-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 collateralized instruments which are recognized in the profit and loss statement.

Revenue from interest is recorded in the profit and loss statement on an accrual basis applying the effective interest rate. Income from dividends is recognized 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 recognized 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 realized 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 realize 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 recognized in the profit and loss statement, aside from a situation where it concerns items directly recognized 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 recognized at historical cost expressed in a foreign currency are recorded 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 license rights for their production or has purchased a license 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) Operations 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 recognized according to the lower value: carrying amount or fair value less cost to sell.

Impairment identified at initial classification as held for sale is recognized in the profit and loss statement even in the event of value restatement. This also concerns profit and loss resulting from subsequent change in value.

Discontinued operation 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 operation takes place as a result of disposal or at the moment when the operation fulfills the criteria for classification to the group held for sale.

t) Change in the accounting principles. Transformation of comparative data.

The City Interactive Group consolidated financial statements and the separate statements for City Interactive S.A. for the period from January 1 to March 31, 2011 retain comparability to data from the consolidated and separate financial statements for the period from January 1 to March 31, 2010 and from January 1 to December 31, 2010, which were drawn up in accordance with IAS/IFRS.

The Company did not convert comparative data during the reporting period.

3. Description of significant achievements or failures during the first quarter of 2011, 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. The Issuer is the first public company in that sector in the Central and Eastern Europe and the first to become an international player, with outstanding market and financial performance. The City Interactive Group is focused on developing a high quality product range including different game genres, with a special focus on action games.

In the gaming market, the Group appears as:

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

Through fulfilling these three functions, the Issuer 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 launching products.

The most significant of the Group's achievements in the first quarter of 2011 are as follows:

- **City Interactive S.A. to form a subsidiary which will develop and release smartphone games**

In February 2011 the Issuer's Management announced its decision to create a subsidiary of the Issuer based in Poland in the first quarter of 2011.
The newly established subsidiary will be responsible for the development, release and distribution of high-end games for smartphones, as well as online and social games.

The Issuer's Management assumes that creating content for the smartphone market by the subsidiary is one of the key priorities for future growth, and in connection with this plans to:

1) acquire companies around the world developing games for the iPhone and other types of smartphone. Market experience and commercial success play a significant role in assessing potential targets;
2) open a new development studio in Poland which will collaborate with the acquired developers in creating games and applications;
3) expand the US team at subsidiary City Interactive USA Inc., adding team members responsible for business development and marketing for the smartphone gaming market;
4) independently develop smartphone games, additionally using the services of external suppliers.

The Issuer's Management Board assumes that the subsidiary's projected revenues may emerge as one of several significant factors causing an increase in the Issuer's Group revenues and net profit in the coming years.

- **"Sniper Ghost Warrior" for Sony PlayStation® 3 in Q2 2011**

On February 18, 2011 the Issuer's Management Board published information on a decision to reschedule the premiere of "Sniper Ghost Warrior" on the Sony PlayStation®3. The game for the Sony PlayStation®3 went on sale in Europe on April 28, 2011, on May 5 in the UK and will have its premiere on June 28, 2011 in the US and Canada.

- **Sales of "Sniper Ghost Warrior" have passed the 1.1 million mark.**

The first quarter of 2011 saw the number of copies of "Sniper Ghost Warrior" during the ten-month period since the game's launch in June 2010 exceed 1.1 million for the Xbox360® and PC. It should be emphasized that sales of "Sniper Ghost Warrior" to date have not been subject to significant reductions in price and that the high level of sales concerned a product sold in the full price segment.

- **Withdrawal from the agreement with The Farm 51 Spółka z o.o.**

On 24 February 2011 the Issuer's Management submitted a declaration concerning immediate withdrawal from the agreement executed between the Issuer and The Farm 51 Spółka z o.o., based in Gliwice (the "Contractor"). The subject of the agreement was manufacture of the game "Alien Fear" for the Issuer by the Contractor. The reason the Issuer withdrew from this agreement was non-observance by the Contractor of obligations under the agreement, in particular non-performance of the subject of the agreement in a timely manner and non-consideration of artistic requirements.
Retaining all rights to the production elements of the game "Alien Fear" previously produced and received, the Issuer is continuing to produce the game at its own development studios (Bydgoszcz, Warsaw).

- **Execution of a significant agreement with Sony Computer Entertainment Europe Limited.**

On March 1, 2011 the Issuer's Management Board received a signed license agreement executed with Sony Computer Entertainment Europe Limited concerning release of the Issuer's games on the Sony PlayStation®3 in Europe, Australia, New Zealand and other territories using the PAL system (Phase Alternating Line).
This is a strategic agreement. The Sony PlayStation®3 is one of the most popular video game platforms in the world. At the same time, under the agreement entered into with Sony Computer Entertainment Europe Ltd., the Issuer will be able to distribute its products through the Sony PlayStation®Network. The provisions of the agreement do not differ from the terms and conditions normally applied for this type of agreement.
The agreement has been recognized as significant since revenues from the sale of games released on its basis may reach a level exceeding 10% of the Issuer's Group revenues from sale for the period covering the last four quarters. The level of the Issuer's equity is not a criterion allowing for correct assessment of the significance of this agreement.

- **Changes in the Management Board of City Interactive S.A.**

The following changes in the Issuer's Management Board took place on March 10, 2011:
The City Interactive S.A. Supervisory Board appointed Wojciech Kutak as Member of the Issuer's Management Board, also serving as Finance Director at the Parent. Artur Winiarski resigned from the position of Member of the Management Board of City Interactive S.A.

- **Timely buy-back of City Interactive S.A. series B bonds**

A complete, timely buy-back of series B City Interactive S.A. bonds occurred on March 16, 2011, and the Issuer fulfilled all formalities towards bondholders who had subscribed for series B bonds in a quantity of 100 (one hundred) of a nominal value per bond of PLN 50 000 (fifty thousand Polish zloty) and a total nominal value of PLN 5 000 000 (five million Polish zloty), which the Issuer announced in current report no. 69/2010 of September 16, 2010. The total buy-back price of series B City Interactive S.A. bonds together with interest amounted to PLN 5 256 989 (five million, two hundred and fifty-six thousand, nine hundred and eighty-nine Polish zloty).

- **FX hedging transactions**.

Beginning from November 2, 2010 City Interactive S.A. entered into forward contracts. These contracts are executed for a maximum period of 6 months and their purpose is to hedge currency risk for the Issuer's currency asset items. Outstanding forward contracts together with their valuation as at the end of the reporting period are presented in the table below.

Currency	Contract entry date	First settlement date	Price	Outstanding contracts in foreign currency	Forward initial recognition	Fair value Mar 31, 2011	Price as at Mar 31, 2011	Valuation Mar 31, 2011 In PLN	Settlement status
USD	2010-12-02	2011-06-02	3.1192	1 200 000	3 743 040	3 387 480	2.8229	355 560	
GBP	2010-12-17	2011-06-15	4.7180	250 000	1 179 500	1 138 250	4.5530	41 250	
GBP	2010-12-17	2011-06-15	4.6935	250 000	1 173 375	1 138 250	4.5530	35 125	
GBP	2011-01-28	2011-07-29	4.5918	250 000	1 147 950	1 138 250	4.5530	9 700	
EUR	2011-01-28	2011-07-29	3.9421	1 000 000	3 942 100	4 011 900	4.0119	-69 800	
GBP	2011-02-03	2011-08-05	4.6275	350 000	1 619 625	1 593 550	4.5530	26 075	
GBP	2011-02-03	2011-08-05	4.6275	100 000	462 750	455 300	4.5530	7 450	
EUR	2011-03-08	2011-09-09	3.9970	500 000	1 998 500	2 005 950	4.0119	-7 450	
Total					**15 266 840**	**14 868 930**		**397 910**	

Settled

Outstanding

The aggregate value of hedging transactions as at the end of March 2011 amounts to PLN 15 266 840 and their objective is to hedge foreign exchange risks for the Issuer's assets denominated in foreign currencies.

4. Description of factors and events, in particular extraordinary ones, affecting the financial results

During the first quarter of 2011 the Group recorded consolidated revenues from sale of PLN 13.4 million in relation to PLN 11.4 million in the previous year. In absolute terms revenues increased by PLN 2 million, constituting a 17% increase in relation to the first quarter of the previous year.

The sales margin in comparison with the same period last year dropped by PLN 1.1 million, mainly as a result of increased sales of console-based products, which incur license fees.

During the first quarter of this year the share of products for the Xbox360® in total sales amounted to approx. 59%, while for the PC this figure was approx. 7% with the remainder made up by other platforms. There were no sales on the Xbox360® in the first quarter of the previous year, whereas sales for the PC amounted to approx. 56% and the remainder concerned sales on the NINTENDO Wii™ and Nintendo DS™. In addition, 2010 saw a reclassification of revenues from 2009, as a result of which revenues and gross profit for the first quarter of 2010 were increased by PLN 1 million.

The share of sales in Europe remained at the same level as in the previous year. The Issuer's Management Board anticipates that in the second quarter the percentage share of sales in Europe will grow in connection with the release of "Sniper: Ghost Warrior" on the PlayStation®3.

The result for the first quarter of this year is burdened with a PLN 0.6 million provision for potential price reductions or product returns and provisions for royalties and license fees amounting to PLN 0.3 million.

Aside from the events described above, there were no non-typical events during the reporting period which had a significant impact on the financial result achieved by the Group.

Provisions as at March 31, 2011 (in PLN thousands)

City Interactive S.A.	Q1 2011	Q1 2010
Intangible asset revaluation	2 606	
Receivables revaluation	4 802	6 392
Provision for social benefits and similar	41	31
Deferred income tax provision	106	64
Provision for costs and liabilities	1 216	62
Deferred income		439
Total	**8 771**	**6 988**

Group	Q1 2011	Q1 2010
Intangible asset revaluation	2 606	0
Receivables revaluation	4 922	6 392
Provision for social benefits and similar	41	31
Deferred income tax provision	106	64
Provision for costs and liabilities	1 230	62
Deferred income		439
Total	**8 905**	**6 988**

Revenue provisions created from Q1 profit (in PLN thousands)

City Interactive S.A.	Q1 2011	Q1 2010
Net revenue provision for returns and adjustments	-439	-560

Group	Q1 2011	Q1 2010
Net revenue provision for returns and adjustments	-625	-560

Sales segments

Geographical structures of consolidates revenue from sale (in PLN thousands)

Region	Q1 2011		Q1 2010		Change	
	Amount	%	Amount	%	Amount	%
North America	4 720	35%	2 148	19%	2 572	16%
Europe	6 690	50%	7 240	63%	-551	-13%
Poland	1 200	9%	1 684	15%	-485	-6%
Asia and Australia	690	5%	354	3%	336	2%
Africa	83	1%	0	0%	83	1%
Total	**13 382**	**100%**	**11 426**	**100%**	**1 955**	**0%**

Industry structure of consolidated revenue from sale (in PLN thousands)

Industry	Q1 2011		Q1 2010		Change	
	Amount	%	Amount	%	Amount	%
Goods for resale	325	2%	94	1%	231	2%
Products	13 027	97%	11 309	99%	1 718	-2%
Services	30	0%	23	0%	7	0%
Total	**13 382**	**100%**	**11 426**	**100%**	**1 955**	**0%**

Segments of product group consolidated margin.

Segments	Q1 2011				Q1 2010			
	Revenue	Result	Margin	Share in revenue	Revenue	Result	Margin	Share in revenue
Own products	10 687	3 922	37%	80%	6 531	2 791	43%	57%
Licensed products	1 051	609	58%	8%	3 616	2 806	78%	32%
Goods for resale and materials	325	103	32%	2%	94	39	42%	1%
Licenses	1 154	893	77%	9%	870	840	96%	8%
Distribution	165	81	49%	1%	316	201	64%	3%
Total	**13 382**	**5 607**	**42%**	**100%**	**11 426**	**6 677**	**58%**	**100%**

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

Due to the variety of revenue streams (domestic distribution, international distribution, sale of licenses) and specifics of the computer gaming industry, the Group is subject to sales revenue volatility during the financial year, determined by the release of new products. The Issuer establishes the dates for release of its games in order to select the most beneficial competitive environment and in order for the release to bring the highest financial benefits.

6. Information concerning the issue, buy-back and repayment of equity and debt securities

In Q3 2009 the parent issued bonds in the total amount of PLN 5 m. Bond par value was PLN 50 000. The issued bonds are bearer securities and carry a 12% annual rate of interest. The bonds matured on September 16, 2010 and on the same date the parent issued series B bonds in the total amount of PLN 5 m. Series B bonds were issued in order to roll over series A bonds, i.e. in order to replace series A bonds to be redeemed for newly issued, series B, so that the aggregate level of obligations contracted by the Issuer remained unchanged.

The issued bonds are bearer securities in a certificated form. The issue includes 100 (hundred) series B bonds with the total par value of PLN 5 000 000 (five million zloty). The issue price of one series B bond is PLN 50 000 (fifty thousand zloty).

Redemption of series B bonds is scheduled for March 16, 2011. Series B bonds carry interest at a variable rate: in the first interest period (i.e. from the issue date until December 16, 2010) the interest rate will equal 3M WIBOR rate, as published on September 14, 2010, plus a 6.5% margin. In the second interest period (i.e. from December 16, 2010 until the redemption date) the interest rate will equal 3M WIBOR rate, as published on December 14, 2010, plus a 6.5% margin. Interest will accrue based on the actual number of days in a given interest period and on a 365-day year basis. Interest will be calculated by the Issuer through applying the interest rate to bond par value.

Interest will be payable on interest payment dates, i.e. December 16, 2010 and March 16, 2011 - of the above, PLN 128 647 has been repaid as of December 16, 2010, while interest paid as at March 16, 2011 amounted to PLN 128 342.

A complete, timely buy-back of series B City Interactive S.A. bonds occurred on March 16, 2011, and the Issuer fulfilled all formalities towards bondholders who had subscribed for series B bonds in a quantity of 100 (one hundred) of a nominal value per bond of PLN 50 000 (fifty thousand Polish zloty) and a total nominal value of PLN 5 000 000 (five million Polish zloty). The total buy-back price of series B City Interactive S.A. bonds together with interest amounted to PLN 5 256 989 (five million, two hundred and fifty-six thousand, nine hundred and eighty-nine Polish zloty).

7. 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.

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

- **Information concerning the impact of progress in the certification process at Sony Computer Entertainment Inc. of the game "Sniper Ghost Warrior" for the Sony PlayStation®3 on its release.**

On April 8, 2011 the Management Board of City Interactive S.A. announced the receipt of information from Sony Computer Entertainment Inc. concerning the progress in certification of "Sniper Ghost Warrior" for Sony PlayStation®3. Information received shows that the final deadline for completion of the certification process, which is a condition for release by the Issuer of "Sniper Ghost Warrior" for the Sony PlayStation®3, will delay the release by several days in Europe and Asia, and several weeks in North America. At the same time the Company's Management Board has undertaken to make separate notification of receipt of certification and the date thereof, together with a specific date for release of "Sniper Ghost Warrior" on Sony PlayStation®3 in Europe and Asia.

- **Receipt of certification from Sony Computer Entertainment Inc. for "Sniper Ghost Warrior" for Sony PlayStation®3 and the date of its release.**

The Management Board of City Interactive S.A. made notification on April 11, 2011 of receipt of certification from Sony Computer Entertainment Inc. for "Sniper Ghost Warrior" for Sony PlayStation®3 in Europe and Asia and of the fact that the release of "Sniper Ghost Warrior" for Sony PlayStation®3 will occur on April 28, 2011 in Europe and Asia (with the exception of the UK, where it will be released on May 5, 2011), with release in North American on June 28, 2011.
With regard to circumstances and factors beyond the Issuer's control (the situation for businesses after the earthquake and tsunami in Japan), the release date for "Sniper Ghost Warrior" on the Sony PlayStation®3 in Japan will be announced at the latest by May 20, 2011.

- **Rescheduling of the release date for "Sniper Ghost Warrior 2"**

On April 12, 2011 the Management Board of City Interactive S.A. decided to delay the release of "Sniper Ghost Warrior 2" by several months in relation to the original launch, which was to have taken place in the third quarter of 2011. The reason for taking the above decision is the desire to ensure the highest artistic and technological quality for this key project.

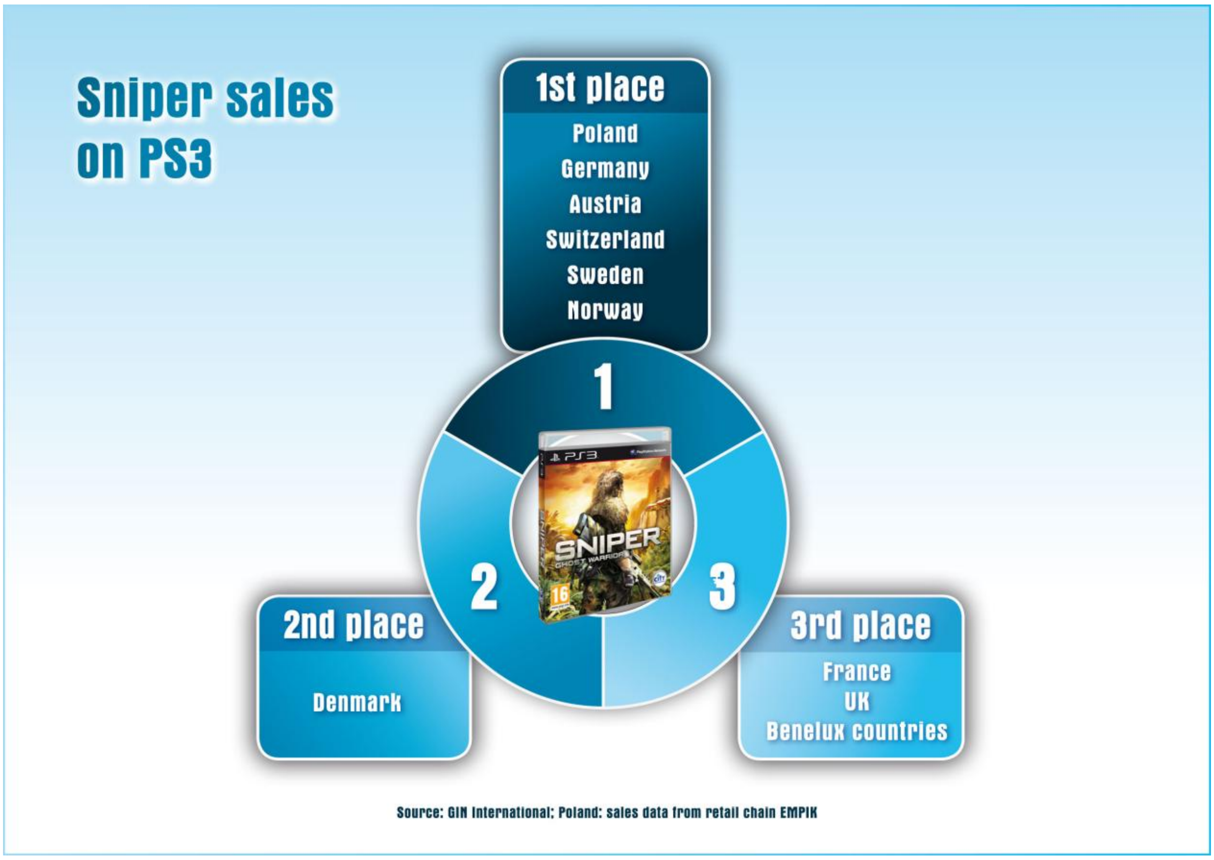
- **Release of "Sniper: Ghost Warrior" for Sony PlayStation®3**

On April 28, 2011 "Sniper Ghost Warrior" for Sony PlayStation®3 hit the stores in Europe and Asia (the game was released a week later in the UK, i.e. on May 5).
The game is currently a hit in almost all European markets and has not left the bestseller list despite the fact that it was released in a not particularly favorable environment as regards competition (other products were launched by competing video game producers during the same period). This fact illustrates just how strong a market brand "Sniper Ghost Warrior" has become on a global scale.

The first data came from Germany – the world's third largest PS®3 games market. Three days after its release, "Sniper Ghost Warrior" was in first place in terms of sales amongst games for this console in Germany in the full price category. Within the first three days, 20% of the intended edition of 35 000 copies had been sold. This bodes well for the future, as sales of "Sniper Ghost Warrior" on the Xbox 360® remained at a high level for many weeks without any clear downward trends. The Issuer is working intensely to ensure that the sales results on PlayStation®3 are even better and surpass the results achieved by the Xbox360® version.

As at the date of publication of this report, "Sniper Ghost Warrior" for Sony PlayStation®3 held the following positions in European sales rankings: 1st place – Germany, Austria,

Switzerland, Sweden, Norway and Poland, 2nd place in Denmark and 3rd place in France, the UK and Benelux countries.
On June 28, 2011 the game will be released on PlayStation®3 in North America – the world's largest video games market.



Selected point-of-sale displays for "Sniper Ghost Warrior" on PS®3 in Europe:

Display at Fnac Balexert

Display at Micromania

Display at Fnac Fribourg

Display at Media Markt

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

As at 31 March, 2011 the parent had no contingent liabilities except promissory notes issued by City Interactive S.A. for the lessors: Raiffeisen Leasing Polska, Volkswagen Leasing Polska and SEB Leasing Polska in order to secure payments under concluded leasing agreements.

10. Organizational description of the Issuer's Group with indication of entities subject to consolidation

As at March 31, 2011, the following entities make up the Group:

- **City Interactive S.A.** having its registered office in Warsaw. Share capital of PLN 1 265 000. Group parent.

- **City Interactive Germany GmbH** – a company having its registered office in Frankfurt am Main, Germany. Share capital of 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**. – a 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.

- **Business Area Spółka z o.o.,** – a company with registered office in Warsaw, included in consolidation from the third quarter of 2010.Share capital PLN 5 000. 100% interest held by City Interactive S.A.

- **City Interactive Canada Inc.** – a company based in Ontario, Canada, established in October 2010. Share capital CAD 10.00. 100% of shares held by City Interactive S.A. The company is not subject to consolidation with regard to the fact that its financial results are not significant for assessment of the Issuer's situation.

- **City Interactive Studio Ltd.** – a company based in London, UK, established in December 2010. Share capital GBP 100.00. 100% of shares held by City Interactive S.A. The company is not subject to consolidation with regard to the fact that its financial results are not significant for assessment of the Issuer's situation.

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

- **City Interactive Spain S.L.** – company having its registered office in Madrid, Spain. Share capital of 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 January 1, 2010, after creation of revaluation write-offs on receivables, it was excluded from consolidation.

Furthermore, throughout 2008 the parent acquired shares in the following entities operating in South America and subsequently in 2009 opted out of their further development.

These entities are currently not subject to consolidation with regard to discontinuation of their operations and the creation of provisions at the parent level:

- City Interactive Peru SAC (formerly UCRONICS SAC) – a company having its registered office in Lima, Peru. 99% share. Share capital 2 436 650 Sol. The company was subject to consolidation from the date of acquisition of a controlling block of shares to the end of 2008.
- City Interactive Jogos Electronicos LTDA – a 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.

11. 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

In the reporting period there were no changes in the structure of the Group.

12. Company Management's position concerning the possibility to meet previously published earnings forecasts for a given financial year in light of results presented in the quarterly report in relation to forecast results

In relation to the results presented in this quarterly report, the Issuer's Management has not published any estimates concerning the Group's consolidated revenues and results.

13. Indication of shareholders directly or indirectly through subsidiaries holding at least 5% of total votes at the Company's General 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.

To the best of the Issuer's knowledge, the only shareholder with at least 5% of votes at the Company's General Meeting as at May 16, 2011 (publication date of this report) is Marek Tymiński. Mr. Tymiński holds 6 480 794 shares in the Issuer, carrying a 51.23% share in the Issuer's share capital and total number of votes at the General Meeting of Shareholders.

During the period from publication of the Issuer's preceding quarterly report (i.e. the period from March 1, 2011), the following changes took place in the ownership structure of significant shareholdings:

- On January 19, 2011 the Company received notification from QUERCUS Towarzystwo Funduszy Inwestycyjnych S.A., acting on behalf of QUERCUS Parasolowy SFIO and QUERCUS Absolutnego Zwrotu FIZ (the "Funds") concerning an increase by the Funds of their share in the total number of votes at City Interactive S.A. As at February 14, 2011 the Funds held 632 557 shares in the Issuer, which constitutes 5% of the Issuer's share capital and 5% of total votes at the General Meeting of Shareholders.
- On February 23, 2011 the Company received notification from QUERCUS Towarzystwo Funduszy Inwestycyjnych S.A., acting on behalf of managed investment fund QUERCUS Parasolowy SFIO (the "Fund") concerning an independent increase by the Fund of its share in the total number of votes at City Interactive S.A. and of crossing the 5% threshold of total votes at City Interactive S.A. As at February 22, 2011 the Funds held 657 896 shares in the Issuer, which constitutes 5.20% of the Issuer's share capital and 5.20% of total votes at the General Meeting of Shareholders.
- On February 19, 2011 the Company received notification from QUERCUS Towarzystwo Funduszy Inwestycyjnych S.A., acting on behalf of the managed investment fund QUERCUS Parasolowy SFIO (the "Fund") concerning independent decrease by the Fund of its share in the total number of votes at City Interactive S.A. and a drop below the 5% threshold of total votes at City Interactive S.A., which took place due to the disposal of shares in the Company on the regulated market on April 13, 2011. On April 18, 2011 the Fund held 564 745 shares in the Issuer, which constituted 4.46% of the Issuer's share capital and 4.46% of total votes at the General Meeting of Shareholders and acting on behalf of the managed investment funds QUERCUS Parasolowy SFIO and QUERCUS Absolutnego Zwrotu FIZ (the "Funds") concerning decrease by the Funds of their mutual share in the total number of votes at City Interactive S.A. and a drop below the 5% threshold of total votes at City Interactive S.A., which took place due to the disposal of shares in the Company on the regulated market on April 14, 2011. On April 18, 2011 the Funds held 592 816 shares in the Issuer, which constituted 4.69% of the Issuer's share capital and 4.69% of total votes at the General Meeting of Shareholders.

14. 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 March 1, 2011 (Q4 2010 quarterly report publication date)	Increase in shareholding during the period from March 1, 2011 to May 16, 2011	Decrease in shareholding during the period from March 1, 2011 to May 16, 2011	As at May 16, 2011 (Q1 2011 quarterly report publication date)
Marek Tymiński	President of the Management Board	6.480.794	-	-	6 480 794
Artur Winiarski	Member of the Management Board*	24 000	-	-	n/a
Lech Tymiński	Member of the Supervisory Board	9.565	-	-	9.565

* As of March 10, 2011 Artur Winiarski ceased to be a Member of the Management Board of City Interactive S.A.

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

The Issuer's Management Board has no information concerning any proceedings in progress against it or its subsidiaries.

16. 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 and subsidiaries 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.

17. Information on grant by the Issuer or its subsidiary of sureties for credit or loans or grant of guarantees – 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 January 1 to March 31, 2011, neither the Issuer nor any of its subsidiaries issued loan sureties or guarantees, the value of which could constitute at least 10% of the Issuer's equity.

18. Other information which the Company's Management 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

In the opinion of the Management Board of City Interactive S.A., no information other than that included in this report will appear which could be significant for assessing the Issuer's HR, property and financial situation (including financial result) and changes in these and for assessing the Issuer's ability to perform its obligations.

19. 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 consistently pursues its development strategy aimed at regularly releasing high quality video games. During the current production, promotion and sales process for games, quality is the deciding factor for product planning and development, including production of games for next generation consoles. In 2011 the City Interactive Group's portfolio will increase in connection with further growth in the production of games for consoles, which is a worldwide trend in this industry.

At the same time the Parent's Management Board plans to expand new products in the smartphone market, believing that the strategy adopted concerning the development and release of games for mobile platforms and social games will begin to make revenues as early as 2011, while in 2012 these should constitute a significant part of revenues for the City Interactive Group. In the opinion of the Issuer's Management Board, this strategy will allow the City Interactive Group to strengthen its position in global markets and diversify its revenues.

An important development factor is the global success of "Sniper Ghost Warrior", which had a decisive impact on expanding the Issuer's distribution capabilities in relation to all of its products. As a result of this success, distribution networks around the world are showing greater trust and optimism regarding the sales potential of other products within the Issuer's portfolio.
The spectacular market success of "Sniper Ghost Warrior" (over 1.1 million copies sold to date for the PC and Xbox360®) has facilitated the development of a global brand, meaning that the City Interactive Group is in a position to maximize its revenues (including the release of games for Sony PlayStation®3 and production of a sequel) in 2011 and beyond. At the same time City Interactive S.A. became Poland's first a truly global game developer and publisher.

In April 2011 the Company began to sell a new improved version of "Sniper: Ghost Warrior" for PlayStation®3, the sales success of which will also be one of the most significant factors impacting the Company's financial results in 2011.
At the end of the first fortnight after its release in key European markets, the game had achieved very good results, occupying a leading position in bestseller lists. In the opinion of the Issuer's Management Board, this is confirmation of the strong and established position of the "Sniper Ghost Warrior" brand globally and allows the company to look to its further development with optimism.
The release in the American market – the world's largest – will take place on June 28, 2011. Thanks to this release and the supporting campaign, the game will become a truly international, multi-platform brand.

Intensive work is currently in progress on the creation of "Sniper: Ghost Warrior 2", a game based on advanced CryENGINE® 3 technology, which has a good chance to beat the success of the first installment in the series and become the Issuer's largest ever production and release success. Its global release will contribute to the financial success of the City Interactive Group, providing realistic chances for its further development and the generation of long-term revenues from the SNIPER GHOST WARRIOR brand.

In 2011 the Company intends to start selling several products with major commercial upside, including "Alien Fear", which will be released for PC, Xbox360® and Sony PlayStation®3, and "Combat Wings: The Greatest Battles of World War II", which will be released simultaneously for NINTENDO Wii™, Xbox360®, Sony PlayStation® 3 and PC.

Together with the intensification of global sales, expansion of the release catalog through the addition of new products will strengthen the City Interactive Group's results in coming years.
Released in June 2010, "Sniper: Ghost Warrior" achieved substantial sales success, which provides justification for the decision to implement a strategy based on developing high quality games and distributing these both in the most import markets and on many available platforms.

In the view of the Management Board, the City Interactive Group has the technical competences and opportunities to create and release high quality games for next generation consoles, PCs and mobile platforms (including smartphones).
These have strong commercial potential and will be products which are competitive in relation to those already present in the market. The Parent's Management Board assumes that the majority of these will achieve market success, which will contribute to a significant increase in financial results in the coming years and will underline the Group's industry position in global markets. At the same time the City Interactive Group will maximize revenues from sales of previously released games (*back catalog*), which will constitute a natural supplement to its product portfolio.

Presented below is a list of global releases planned for Q2 and Q3 2011:

Q2 2011

- ***Sniper: Ghost Warrior* – release on Sony PlayStation®3**
  A new and improved version of the hit game for PC and Xbox360, Sniper: Ghost Warrior. Breathtaking action and a dynamic system with life-like ballistics create a realistic vision of war through the eyes of a sniper. The PlayStation® 3 version includes the original game with all the latest patches and exclusive add-ons.

- ***Murder in Venice* – premiere on Nintendo Dual Screen™**
  Release for the portable Nintendo DS™ console. The action takes place in picturesque Venice. "Murder in Venice" is an adventure game where the player learns of superpower conspiracies. The quest to solve the conspiracy falls to the heroes of the game – the student Vera who is on holiday in Venice and former Russian spy Juria. The release is full of logic puzzles and beautiful locations and the action takes place in the present and in the 1960s simultaneously.

- ***Jewels of the Ages* – premiere on Nintendo Dual Screen™**
  "Jewels of Ages" Island is a release in the particularly popular logic games segment. These games have a faithful following among users of the Nintendo DS™. In actual fact, players will find that they've bought two games. In the first of these they become the ancient warrior and ruler of all Greece, Olim and Hades on a quest to find magic crystals. In the second they guide the fate of a brave hunter facing up to gods and monsters to break the Pharoah's curse.

Q3 2011

- ***Combat Wings: The Greatest Battles of World War II* – premiere on NINTENDO Wii™, Xbox360®, Sony PlayStation® 3 and PC**
  "Combat Wings: The Greatest Battles of World War II" is an aircraft action game set during World War II. The genre has its faithful fans on both, consoles and PCs. The game presents spectacular air duels from major air battles of the Second World War era. It features the largest number of air strikes having taken place on the fronts of the Second World War of all WW2 aircraft games ever published.

- ***Alien Fear* – premiere on PC, Xbox360®, Sony PlayStation® 3**
  "Alien Fear" is representative of the extremely popular shooter games segment and is intended mainly for online distribution on the Xbox360®, Sony PlayStation® 3 and PC. The player assumes the role of the surviving member of a marine detachment sent to rescue the crew of the lost space station Deep Space One. Using a wide range of weapons, the player must face up to hordes of terrifying aliens.

CITY INTERACTIVE S.A. MANAGEMENT BOARD:

Marek Tymiński President of the Management Board	Wojciech Kutak Member of the Management Board

Warsaw, May 16, 2011