Cinema City International N.V.

Condensed Consolidated Financial Report

for the quarter ended

31 March 2011

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DIRECTORS' REPORT

General

Introduction

Cinema City International N.V. (the "Company"), incorporated in the Netherlands, is a subsidiary of I.T. International Theatres Ltd. ("ITIT" or "parent company"). The Company (and together with its subsidiaries, the "Group"), is principally engaged in the operation of entertainment activities in various countries including: Poland, Hungary, Czech Republic, Romania, Bulgaria, Slovakia and Israel. The Company, through related entities, has been a family operated theatre business since 1929. The Company shares are traded on the Warsaw Stock Exchange. As of 17 May 2011, the market share price was PLN 37.56 (EUR 9.55) giving the Company a market capitalization of EUR 488.8 million. The Company's office is located in Rotterdam, the Netherlands.

Highlights during the first quarter of 2011

The Company turned in a steady performance for the three months ended 31 March 2011, generating revenues of EUR 65.8 million, consolidated EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortization) of EUR 13.4 million (excluding acquisition related and reorganization expenses) and net income of EUR 6.0 million (excluding acquisition related and reorganization expenses). Including acquisition related and reorganization expenses the EBITDA and net income for the three months ended 31 March 2011 amount to EUR 11.0 million and EUR 3.6 million, respectively.

At the beginning of the quarter, the Company purchased the Palace Cinema chain, comprising 141 screens in 15 multiplexes in Hungary, Czech Republic and Slovakia. The purchase price for the transaction was EUR 28 million. This acquisition significantly strengthened the Company's position in the Hungarian and Czech markets and added Slovakia to the Company's countries of operation. With this acquisition, the Company has become the third largest cinema exhibitor in all of Europe, operating, as of 19 May 2011, 887 screens in 94 cinemas in 7 countries.

In large part, as a result of the impact of the 3-D movie sensation, *Avatar*, which performed very strongly and as a result, made a material contribution to first quarter 2010 results, revenues, EBITDA and net income in the quarter ended 31 March 2011 all decreased in comparison to the same period of the prior year.Nonetheless, revenues, EBITDA and net income (excluding acquisition related and reorganization expenses) all increased sequentially in the first quarter of 2011 compared to the fourth quarter of 2010 which in itself was a steady quarter.

Total tickets sales for the quarter ended 31 March 2011 decreased by 2.7% compared to the same quarter in 2010 while same store ticket sales decreased by 22.8% over the same period last year. The decrease in ticket sales was softened due to the contribution of the tickets sold by the Palace Cinema chain. Revenue for the quarter ended 31 March 2011 generated by movie theatre operations decreased by 5.9% in comparison to the quarter ended 31 March 2010, as the *Avatar* juggernaut, immediately followed by the highly successful 3-D version of *Alice in Wonderland*, not only fueled significantly higher admissions in the first quarter of 2010, but also the vastly more popular 3-D versions of these movies generated higher ticket prices.

Directors' report

Palace Acquisition

With respect to the Palace acquisition, the Company acquired 100% of the equity in 4 companies from Palace Cinemas (Central Europe) BV. These 4 entities operate 8 multiplexes with 65 screens in the Czech Republic, 4 multiplexes with 47 screens in Hungary and 3 multiplexes with 29 screens in Slovakia. The purchase price was based on a multiple of 6 times the "normalized" EBITDA of the acquired companies during 2010. The EUR 28 million purchase price was made up of EUR 21.4 million to the seller in cash and the Company's assumption of EUR 6.6 million in existing debt of the acquired companies. The acquisition was financed from the Company's existing cash and from available credit lines.

Under the original purchase agreement, the Company did not acquire Palace Mozi, Kft, a Hungarian company that was owned by Palace Cinemas. Palace Mozi operated 5 multiplexes in Budapest and 3 multiplexes outside of Budapest. In conjunction with the Palace acquisition, the Company had agreed to provide selected management services to Palace Mozi's cinemas. At the beginning of May this year, however, the landlord at three of the Mozi multiplexes terminated its agreement with Palace Mozi and, in mutual settlement of outstanding amounts owed by Palace Mozi, assumed control of the assets of these multiplexes. Upon taking control, the landlord immediately leased the space occupied by these three multiplexes to the Company, which is now operating these theatres.

Under recently adopted International Financial Reporting Standards (IFRS), companies are no longer permitted to capitalize the one-time transaction and reorganization costs associated with acquisitions. As a result, the Company is required to include such costs as part of its current expenses. In connection with the Palace Cinema acquisition, these one-time costs, associated primarily with legal, accounting and advisory fees to consummate the acquisition and the one-time reorganization expenses incurred in conjunction with integrating the acquisition into the Company's existing platform, were approximately EUR 2.4 million, and had a material impact on the Company's EBITDA and net income for the first quarter of 2011. In order to show a clearer comparison of quarterly results without the disproportionate impact of one-time expenses, the Overview of results for the quarter ended 31 March 2011 on page 5 is presented in two separate columns: one column showing the results excluding the acquisition and reorganization expenses, and the other column showing the results including acquisition and reorganization expenses in accordance with IFRS requirements.

With respect to the reorganization costs associated with the Palace Cinemas acquisition, during the quarter, the Company implemented a plan to recognize cost and overhead synergies between the two organizations in the Czech Republic and in Hungary. In that respect, the Company incurred one-time charges associated mainly with reducing overhead and one-time severance costs for personnel redundancies. These cost savings were implemented at Palace Cinemas in large part in order to bring operations of the Palace Cinema chain in line with the structure of the Company's existing operations. Benefits resulting from this restructuring are already being realised. While the vast majority of the expected costs were incurred in the quarter ended 31 March 2011, the Company expects to incur some additional restructuring costs in the second quarter of 2011.

Theatre operations

The Company's theatre operations during the quarter ended 31 March 2011 reflected a post-*Avatar* effect. Same store ticket sales and revenues fell in all territories. However, the Polish operations, notably, were not as negatively impacted as the other territories. That is in part because in 2010, the Polish film industry held back the release of certain domestic movies in anticipation of the disproportionate impact on ticket sales that *Avatar* was expected to have. Already in the first quarter of 2011, the Polish film industry released - "Och Karol" a domestic film that was very well received by Polish audiences and generated strong ticket sales.

Directors' report

The new screens the Company opened during 2010 had a full 3 months of operations during the quarter ended 31 March 2011. In addition, the Palace Cinemas chain was included in the Company's results as of the beginning of the quarter. The contribution of these screens helped to soften the drop in revenues, EBITDA and net income that occurred in the first quarter of 2011 compared to the first quarter of 2010 due to the lack of an *Avatar*-like blockbuster.

As a result of the Palace Cinema acquisition, 8 multiplexes with 65 screens were added in the Czech Republic, 4 multiplexes with 47 screens were added in Hungary and 3 multiplexes with 29 screens were added in Slovakia. Three screens were closed in one of the acquired multiplexes in Hungary after the acquisition, as part of implementing an agreement signed by Palace with the landlord of the mall before the transaction.

The Company's total screen count as at 31 March 2011 is 860 (including 9 IMAX® theatres**).**

In April 2011, the company opened a 10 screen multiplex in Braila, Romania.

As mentioned above, in the beginning of May 2011, the Company signed 3 new lease agreements for its theatres in Hungary, notably Palace Cinemas Duna Plaza in Budapest (7 screens), Palace Cinemas Nyir Plaza in Nyiregyhaza (6 screens) and Palace Cinemas Kaposvar Plaza (4 screens), which have all been incorporated into the Company's operations.

Digital Projection

Digital projection represents the most important technological advance in movie viewing since the 1950s, by providing a higher quality and a sharper resolution viewing experience than traditional projectors, and the ability to display a new generation of 3-D movies. The record breaking success of *Avatar, Alice in Wonderland* and other 3-D movies at the end of 2009 and in 2010 appears to have validated the long-term value proposition associated with digital projection.

As a result, the Company will continue to install state-of-the-art digital projectors, both in its new projects and in many of the Company's existing theatres. In each theatre, the Company installs between 1 to 6 such projectors. Currently, including projectors installed in the recently acquired multiplexes of Palace Cinemas, the Company has installed over 325 digital projectors, and intends to accelerate this process by installing approximately 120 to 170 more of these projectors in its leading multiplexes before the end of 2011.

The Company believes that in 2011 the demand for digital and digital 3-D format will continue to increase, supported by the scheduled release of over thirty 3-D titles during the year. Moreover, the film studios are distributing more films on digital prints only, including the traditional "2-D" versions. The growing number of digital projectors will allow the Company to meet this demand and to capture premium ticket pricing for 3-D movies. The fact that the Company continues to be ahead of its competition in many markets in installing digital projectors continues to allow the Company to take market share away from its competitors in these regions.

The Company has also installed digital projectors in all of its IMAX® theatres. Digital technology, translating into lower print costs, should support the lineup of titles adjusted to IMAX® projection to be released by film studios during the year 2011.

In the first quarter of 2011, the Company signed an agreement with Master Image for supplying 3D systems integrated with single-use Master Image glasses. The new solution with single-use glasses will allow to optimize the operating costs connected with exploitation of 3D systems in Cinema City.

While the Company has borne all the costs associated with installing digital projectors, the movie studios are clearly also beneficiaries as they are now able to save significant costs associated with producing and delivering traditional film. To compensate the Company for the benefits realized by the studios, the Company has agreed on a set of rules for virtual print fee agreements with all its major film suppliers (except one). Under these agreements the film studios will pay the Company a fee for each "digital print" used in the Company's multiplexes in the coming years. This discount, in essence, will allow the Company to recoup over time a portion of the costs incurred in installing digital projectors throughout its chain. The Company has already begun to benefit from these virtual print fee agreements.

The Company believes that in the long term, digital technology will not only generate higher attendance through 3-D films and alternative content (such as operas, ballet, sporting and other events drawing worldwide attention), but it can also help to reduce cinema labor costs as digital projectors require less ongoing manpower than traditional reel-to-reel projectors.

Film distribution activities

Revenue generated by the Company's distribution division decreased during the quarter ended 31 March 2011, compared to the quarter ended 31 March 2010. This decrease was driven mainly by a weak supply of movies in most countries where the Company has distribution activities, especially in Poland, compared to the successful distribution of Disney's Alice in Wonderland and other movies during the quarter ended 31 March 2010. The decrease was partly offset by an increase in the distribution activities in Israel following the agreement signed in September 2010 with the Israeli film distributors A.D. Matalon, and the increase in the TV distribution results due to changes in revenue recognition rules.

Other activities including real estate operations

Following the Company's sale of its Bulgarian real estate activities to Israel Theatres Ltd. in 2010, the Company ceased to be active in real estate transactions. Accordingly, other activities including real estate operations did not materially contribute to the Company's results for the first quarter of 2011.

Overview of results

The Company's net income attributable to equity holders of the parent company for the first quarter of 2011 was EUR 3,634,000 and can be summarized as shown below. For comparison purposes, net results for the first quarter of 2011 excluding acquisition related and reorganization expenses are also presented.

	For the 3 months ended 31 March		
	2011 *(excluding acquisition & reorganization expenses)*	**2011**	2010
	EUR		
	(thousands, except per share data)		
Continuing operations			
Revenues	**65,788**	**65,788**	70,077
Operating costs, excluding depreciation and amortisation	**48,823**	**48,823**	46,203
Gross result	**16,965**	**16,965**	23,874
General and administrative expenses	**3,589**	**3,589**	3,593
Acquisition related and reorganization expenses	**-**	**2,365**	-
EBITDA [1]	**13,376**	**11,011**	20,281
Depreciation and amortisation	**6,090**	**6,090**	4,926
Operating profit	**7,286**	**4,921**	15,355
Financial income	**370**	**370**	160
Financial expenses	**(886)**	**(886)**	(909)
Gain and loss on disposals and write-off of other investments	**(6)**	**(6)**	6
Operating income before taxation	**6,764**	**4,399**	14,612
Income taxes	**665**	**665**	2,100
Net income from continuing operation	**6,099**	**3,734**	12,512
Gain/(loss) from discontinued operation	**-**	**-**	12
Net income before minority interests	**6,099**	**3,734**	12,524
Minority interests	**(100)**	**(100)**	182
Net income attributable to equity holders of the parent company	**5,999**	**3,634**	12,706
Weighted average number of equivalent shares (basic)	**51,200,000**	**51,200,000**	50,846,500
Weighted average number of equivalent shares (diluted)	**51,247,773**	**51,247,773**	51,044,935
Net earnings per ordinary share (basic and diluted of EUR 0.01 each)	**0.12**	**0.07**	0.25

[1] Earnings Before Interest, Taxation, Depreciation and Amortization. Under this definition, gains and losses on disposals and write-off of other assets as well as currency exchange results are also not included in EBITDA

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Revenues

Total revenues decreased by 6.1% from EUR 70.1 million during the quarter ended 31 March 2010 to EUR 65.8 million during the quarter ended 31 March 2011.

Theatre operating revenues decreased by 5.9% from EUR 64.4 million during the quarter ended 31 March 2010 to EUR 60.7 million during the quarter ended 31 March 2011. This decrease is mainly due to the *Avatar* juggernaut, immediately followed by the highly successful 3-D version of *Alice in Wonderland* during the first quarter ended 31 March 2010, which not only fueled significantly higher admissions, but also higher ticket prices generated by the vastly more popular 3-D versions of these movies. The decrease in theatre operating revenues was partly offset by new revenues due to the contribution of the Palace Cinema chain.

Distribution operating revenues decreased by 12.0% from EUR 5.1 million during the quarter ended 31 March 2010 to EUR 4.4 million during the quarter ended 31 March 2011. The decrease resulted mainly from a weak supply of Disney movies compared to the quarter ended 31 March 2010, partly offset by an increase in the distribution activities in Israel following the agreement signed in September 2010 with the Israeli film distributors A.D. Matalon, and the increase in the TV distribution results due to changes in revenue recognition rules.

Other cinema related revenues remained at a similar level: EUR 0.7 million and EUR 0.6 million during the quarter ended 31 March 2011 and the quarter ended 31 March 2010, respectively.

Operating Costs

Operating costs, excluding depreciation and amortisation, increased by 5.7% from EUR 46.2 million during the quarter ended 31 March 2010 to EUR 48.8 million during the quarter ended 31 March 2011. This net increase resulted primarily from the total effects of:

- an increase in theatre operating expenses primarily explained by costs related to the new cinemas in the Czech Republic, Hungary and Slovakia following the Palace Cinema acquisition and the new cinemas opened during 2010 which had full 3 months of operations during the quarter ended 31 March 2011. This increase was partly offset by a decrease due to the decrease in the revenue as described above.

  The theatre operating expenses, excluding depreciation and amortisation, as a percentage of total theatre revenue increased to 73.7% for the the quarter ended 31 March 2011, from 63.9% for the quarter ended 31 March 2010.

- a decrease in distribution operating expenses as a result of the decrease in revenues as described above. Distribution operating expenses, excluding depreciation and amortisation, as a percentage of total distribution revenue decreased to 88.0% for the quarter ended 31 March 2011, from 95.6% for the quarter ended 31 March 2010. The decrease in the expenses as a percentage of total revenue is mainly due to the increase in the distribution activities in Israel as described above.

General and administrative expenses

General and administrative expenses remained at a similar level: EUR 3.6 million during the quarter ended 31 March, 2011 and the quarter ended 31 March, 2010. The increase in general and administrative expenses due to the increase in the Company's business activities that was offset by a decrease in the management bonus accrual caused by the decrease in net income before taxation.

Acquisition related and reorganization expenses

Acquisition related and reorganization expenses are related to the Palace Cinema acquisition. These one-time expenses are associated primarily with legal, accounting and advisory fees to consummate the acquisition and the one-time reorganization expenses incurred in conjunction with integrating the acquisition into the Company's existing platform.

EBITDA (Earnings before Interest Tax Depreciation and Amortisation)

As a result of the factors described above, excluding the acquisition related and reorganization expenses, EBITDA decreased by 34.0% from EUR 20.3 million for the quarter ended 31 March 2010 to EUR 13.4 million for the quarter ended 31 March 2011. EBITDA including acquisition related and reorganization expenses, decreased by 45.7% to EUR 11.0 million for the quarter ended 31 March 2011.

Depreciation and amortisation

Depreciation and amortisation expenses increased by 23.6% from EUR 4.9 million for the quarter ended 31 March 2010 to EUR 6.1 million for the quarter ended 31 March 2011. The increase is explained mainly by higher depreciation due to the newly opened theatres in 2010 primarily in Poland and Romania, and due to the new cinemas acquired in the Palace Cinema transaction.

Operating profit

As a result of the factors described above, excluding the acquisition related and reorganization expenses, the operating profit decreased by 52.5% from EUR 15.4 million during the quarter ended 31 March 2010 to EUR 7.3 million during the quarter ended 31 March 2011. The operating profit including acquisition related and reorganization expenses decreased by 68.0% to EUR 4.9 million for the quarter ended 31 March 2011.

Financial income/expenses

The balance of financial income and expenses resulted in a net expense of EUR 0.5 million during the quarter ended 31 March 2011 compared to a net expense of EUR 0.7 million during the quarter ended 31 March 2010. The decrease is mainly due to exchange differences carried on balances denominated in currencies other than the functional currency.

Minority interest

Minority interests comprise the share of minority shareholders in net profits or losses from subsidiaries that are not 100% owned by the Company and amounted to EUR 0.1 million (negative) and EUR 0.2 million (positive) for the quarter ended 31 March 2011 and for the quarter ended 31 March 2010, respectively.

Net income

As a result of the factors described above, excluding the acquisition related and reorganization expenses, the Company's net income attributable to equity holders of the parent company decreased by 52.8% from EUR 12.7 million during the quarter ended 31 March 2010 to EUR 6.0 million during the quarter ended 31 March 2011. The Company's net income attributable to equity holders of the parent company, including acquisition related and reorganization expenses, decreased by 71.4% to EUR 3.6 million for the quarter ended 31 March 2011.

Selected financial data

	EUR		PLN	
	(thousands, except per share data)			
	For the quarter ended 31 March			
	2011	**2010**	**2011**	**2010**
Revenues	**65,788**	70,077	**259,705**	279,390
Operating profit excluding acquisition related and reorganization expenses	**7,286**	15,355	**28,762**	61,219
Operating profit including acquisition related and reorganization expenses	**4,921**	15,355	**19,426**	61,219
Operating income before taxation excluding acquisition related and reorganization expenses	**6,764**	14,612	**26,702**	58,256
Operating income before taxation including acquisition related and reorganization expenses	**4,399**	14,612	**17,365**	58,256
Net income attributable to equity holders of the parent company excluding acquisition related and reorganization expenses	**5,999**	12,706	**23,682**	50,658
Net income attributable to equity holders of the parent company including acquisition related and reorganization expenses	**3,634**	12,706	**14,346**	50,658
Cash flows from operating activities	**7,586**	*21,402	**29,946**	*85,328
Cash flows used in investment activities	**(24,097)**	*(26,947)	**(95,125)**	*(107,435)
Cash flows from/(used in) financing activities	**15,912**	(2,963)	**62,814**	(11,813)
Decrease in cash and cash equivalents	**(599)**	(8,508)	**(2,365)**	(33,921)
Total assets	**323,797**	363,331	**1,299,041**	1,403,257
Provisions	**8,099**	7,004	**32,492**	27,051
Long-term liabilities	**49,158**	106,741	**197,217**	412,255
Current liabilities	**54,349**	56,158	**218,043**	216,893
Shareholders' equity	**224,934**	204,969	**902,413**	791,631
Share capital	**512**	508	**2,054**	1,962
Average number of equivalent shares	**51,200,000**	50,846,500	**51,200,000**	50,846,500
Average number of equivalent shares (diluted)	**51,247,773**	51,044,935	**51,247,773**	51,044,935
Net earnings per ordinary share (basic and diluted) excluding acquisition related and reorganization expenses	**0.12**	0.25	**0.47**	0.99
Net earnings per ordinary share (basic and diluted) including acquisition related and reorganization expenses	**0.07**	0.25	**0.28**	0.99

* Reclassified for comparison purposes

Selected financial data (cont'd)

Selected financial data were translated from EURO into PLN in the following way:

(i) Balance sheet data were translated using the average exchange rate published by the National Bank of Poland for the last day of the year / period.

(ii) Income Statement and cash flows data were translated using the arithmetical average of average exchange rates published by the National Bank of Poland for the last day of every month within year / period.

	Exchange rate of Euro versus the Polish Zloty			
PLN/EUR	**Average exchange rate**	**Minimum exchange rate**	**Maximum exchange rate**	**Quarter end exchange rate**
2011 (1st quarter)	3.9476	3.8403	4.0800	4.0119
2010 (1st quarter)	3.9869	3.8622	4.1109	3.8622

Source: National Bank of Poland ("NBP")

Outlook for the remainder of 2011*

While the first quarter of 2011 began, as predicted, on a less robust note than the first quarter of 2010, the Company remains optimistic on the film pipeline for the full year 2011. Management believe that the remainder of the year promises a strong supply of international and domestic movies that should support solid results in the Company's territories. In Hungary, the Czech Republic and Slovakia, the Company should also benefit from the inclusion of the Palace Cinema screens, especially as they become fully integrated into the Company's operations during 2011.

The movie pipeline for 2011 comprises a significant number of big 3-D sequel titles including *Pirates of the Caribbean* 4 3-D, *Twilight 4* 3-D, *Kung Fu Panda* 2 3-D, *Cars* 2 3-D, *Harry Potter* 3-D and *Transformers* 3 3-D. In Poland, the first Polish mega production in 3-D, Bitwa Warszawska 1920, is scheduled for release this summer (and, notably, will be distributed by Forum Film Poland, the Company's distribution subsidiary in Poland). It should also be noted that big international titles including 3-D productions are planned to be released in the last three quarters of 2011, which is different from 2010, when the two biggest 3-D titles, *Avatar* and *Alice in Wonderland*, were on screens during the first quarter of the year.

Coming into 2011, the Company believes it has laid solid groundwork for further future growth in both operating and financial performance, adding a total of 165 screens since the beginning of 2011.

In January 2011, the Company closed an acquisition of 141 screens of Palace Cinemas in the Czech Republic, Hungary and Slovakia (3 screens were closed post-acquisition in MOM Park multiplex, Budapest). In April 2011, the Company opened a 10 screen cinema in Braila, Romania and in the beginning of May the Company signed 3 new lease agreements for cinemas in Hungary: Palace Cinemas Duna Plaza in Budapest (7 screens), Palace Cinemas Nyir Plaza in Nyiregyhaza (6 screens) and Palace Cinemas Kaposvar Plaza (4 screens), which were all incorporated into the Company's operations.

For the remainder of 2011, the Company plans to open another 4 to 5 multiplexes, with a total of 40 to 50 screens, mainly in Romania. The combination of acquisitions and organic growth will translate into a total growth in the cinema chain of between 205 to 215 screens in 2011.

In connection with the Palace Cinema acquisition closed in January 2011, the Company has implemented a plan to identify and utilise synergies between the two organisations in the Czech Republic and Hungary. The large portion of costs related to this integration is already incurred in the first quarter of 2011, which should result in cost savings from synergy effects in the coming quarters. Deployment of the Company's tried and tested management and sales tools over its larger platform should also bring synergies on the revenue side in the future.

The Company also believes that the larger size of its operations and its increased leadership position in the market will augment its overall cinema advertising business.

The Company continues the construction of the 25 screen Planet megaplex in Rishon Letzion, Israel, which will contain the Company's first IMAX® in Israel. The project is expected to open towards the end of the first half of 2012.

The Company currently has binding commitments for an additional 35 sites (representing approximately 360 screens) including 25 sites with approximately 240 screens in Romania, and has entered into negotiations in respect of a further number of sites. However, because the mall opening dates are dependent on the mall developers and there is a continuing tendency in the Romanian market to complete mall construction behind schedule, it remains difficult for the Company to accurately estimate the opening dates of its projects. However, the Company has noted that over the past several months the mall development market in Romania appears to have begun to improve, which has been reflected in the commencement in construction of a number of the shopping centres where the Company has binding lease agreements for new cinemas. Therefore, the Company currently anticipates a higher number of cinema openings in the year 2012, compared to the last two years. Nonetheless, as the Company, in most cases, does not begin to expend capital for theatre constructions in its new theatres until very close to the scheduled opening date, the failure to complete any particular mall project or even a number of projects, should not have a material negative impact on the Company's ongoing operations and results, since such failure would not pose a significant financial risk to the Company. If the completion of mall projects is either delayed or cancelled, this would only impact the rate of the Company's future growth and not its ongoing operations.

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

While the Company's management currently believes that the trend of strong admissions will continue for the foreseeable future, supported in part by the higher ticket prices generated from 3-D movies, there can be no assurance that the Company will not be materially adversely impacted if, among other potential negative trends, the current worldwide economic recovery remains weak or is not sustained. Continued softness in consumer spending, even in light of a modest economic rebound, could result in an ongoing weakness in 'mall traffic', which has historically supported theatre admissions. In addition, if consumers continue to have considerably less disposable income, discretionary entertainment choices, such as movie going, could be adversely impacted. Even if movie going itself is not materially adversely impacted, movie goers could determine to spend less money for food and drinks at the Company's high-margin concession stands. Moreover, advertisers could decrease their use of the Company's expanding theatre and screen advertising services. Management has noted, however, throughout years of economic distress, movie going often increases. Consumers desire to spend their smaller pools of discretionary funds on relatively inexpensive forms of 'escapist' entertainment such as movie going.

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

Additional information to the report

Major shareholders

To the best of the Company's knowledge as of the date of publication of this report, the following shareholders are entitled to exercise over 5% of voting rights at the General Meeting of Shareholders in the Company:

	As of 19 May 2011 Number of shares /% of shares	Increase/ (decrease) Number of shares	As of 31 March 2011 Number of shares/ % of shares	Increase/ (decrease) Number of shares	As of 31 December 2010 Number of shares/ % of shares
I.T. International Theatres Ltd.	27,589,996 / 53.89%	-	27,589,996 / 53.89%	-	27,589,996 / 53.89%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	5,004,326 / 9.77%	-	5,004,326 / 9.77%	-	5,004,326 / 9.77%
Aviva Investors Poland S.A.	2,998,479 / 5.86%	-	2,998,479 / 5.86%	-	2,998,479 / 5.86%
BZ WBK AIB TFI S.A.	2,661,049 / 5.20%	-	2,661,049 / 5.20%	-	2,661,049 / 5.20%

Changes in ownership of shares and rights to shares by Management Board members in the first quarter of 2011 and until the date of publication of the report

Changes in ownership of shares and rights to shares by Management Board members are specified below:

	As of 19 May 2011 Number of shares/% of shares	Increase/ (decrease) Number of shares	As of 31 March 2011 Number of shares/% of shares	Increase/ (decrease) Number of shares	As of 31 December 2010 Number of shares/% of shares
Moshe Greidinger*	10,408,539/ 20.33%	-	10,408,539/ 20.33%	822,409	9,586,130 / 18.72%
Amos Weltsch	None	-	None	-	None
Israel Greidinger*	10,408,539/ 20.33%	-	10,408,539/ 20.33%	822,409	9, 586,130 / 18.72%

* The shares held by Messrs Moshe and Israel Greidinger are held indirectly through I.T. International Theatres Ltd. On 4 January 2011, Israel Theatres Ltd. purchased part of its own shares from one of the shareholders. As a result the number of shares indirectly held increased by 822,409 for each.

Rights to shares

The members of the Management Board did not own or receive any rights to shares in the Company during the period 31 December 2010 until 19 May 2011.

Changes in ownership of shares and rights to shares by Supervisory Board members in the first quarter of 2011 and until the date of publication of the report

The members of the Supervisory Board did not own any shares and/or rights to shares in the Company during the period 31 December 2010 until 19 May 2011.

Changes in the composition of the Supervisory Board and Management Board

None.

Additional information to the report (cont'd)

Other

As of 31 March 2011, the Group has issued guarantees for loans that in total amount to EUR 12 million and Polish zloty 255.5 (EUR 63.9) million in connection with loans provided to subsidiaries.

As of 31 March 2011, the Group has no litigations for claims or liabilities that in total exceed 10% of the Group's equity.

The following net movements in the Group's main provisions took place during the first quarter of the financial year 2011:

- an increase in the provision for deferred tax liabilities of EUR 1,084,000
- a decrease in the provision for accrued employee retirement rights of EUR 124,000

The Management Board

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

Rotterdam, 19 May 2011

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 March 2011 (Unaudited)	31 December 2010 (Audited*)	31 March 2010 (Unaudited)
		EUR (thousands)	
ASSETS			
FIXED ASSETS			
Intangible fixed assets	**9,857**	**801**	** 714
Property and equipment	**252,399**	**231,761**	** 215,233
Investment properties	**-**	**-**	46,789
Other non-current assets	**3,191**	**2,030**	1,913
Total fixed assets	**265,447**	**234,592**	264,649
CURRENT ASSETS			
Inventories	**5,147**	**4,660**	4,404
Trade and other receivables	**42,803**	**41,616**	35,690
Assets classified as held for sale	**-**	**-**	42,431
Other current financial assets	**100**	**280**	1,109
Cash and cash equivalents	**9,966**	**10,527**	14,837
Short term bank deposits – collateralized	**334**	**329**	211
Total current assets	**58,350**	**57,412**	98,682
TOTAL ASSETS	**323,797**	**292,004**	363,331
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	**224,934**	**221,730**	204,969
Minority interests	**(4,644)**	**(4,957)**	(4,537)
LONG-TERM LIABILITIES			
Long-term loans, net of current portion	**36,344**	**19,066**	94,377
Provisions	**8,099**	**7,139**	7,004
Other long-term liabilities	**4,715**	**4,517**	5,360
Total long-term liabilities	**49,158**	**30,722**	106,741
CURRENT LIABILITIES			
Short-term bank credit	**17,570**	**12,111**	13,897
Other current liabilities	**36,779**	**32,398**	42,261
Total current liabilities	**54,349**	**44,509**	56,158
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**323,797**	**292,004**	363,331

* Extracted from the 2010 Annual Accounts.
** Reclassified for comparison purposes.

CONDENSED CONSOLIDATED INCOME STATEMENT

	For the 3 months ended 31 March 2011 (Unaudited)	For the 3 months ended 31 March 2010 (Unaudited)
	EUR (thousands, except per share data and number of shares)	
Continuing operations		
Revenues	**65,788**	70,077
Operating costs	**54,913**	51,129
Gross margin	**10,875**	18,948
General and administrative expenses	**3,589**	3,593
Acquisition related and reorganization expenses	**2,365**	-
Operating profit	**4,921**	15,355
Financial income	**370**	160
Financial expenses	**(886)**	(909)
Gain and loss on disposals and write-off of other investments	**(6)**	6
Operating income before taxation	**4,399**	14,612
Income tax expense	**665**	2,100
Net income from continuing operations	**3,734**	12,512
Discontinued operations		
Gain/(loss) from discontinued operations	**-**	12
Net income for the period	**3,734**	12,524
Attributable to:		
Equity holders of the parent company	**3,634**	12,706
Non-controlling interests related to continuing operations	**100**	(182)
Net income for the period	**3,734**	12,524
Earnings per share		
Weighted average number of equivalent shares (basic)	**51,200,000**	50,846,500
Weighted average number of equivalent shares (diluted)	**51,247,773**	51,044,935
Net earnings per share for profit attributable to the equity holders of the Company (basic and diluted)	**0.07**	0.25
Net earnings per share for profit from continuing operations attributable to the equity holders of the Company (basic and diluted)	**0.07**	0.25

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the 3 months ended 31 March 2011 (Unaudited)	For the 3 months ended 31 March 2010 (Unaudited)
Balance as of the beginning of the period	**221,730**	183,796
Issue of new shares	**-**	120
Share based payments	**4**	16
Net income for the period	**3,634**	12,706
Foreign currency translation adjustment	**(386)**	*8,621
Effective portion in fair value of cash flow hedges	**(48)**	*(290)
Balance at the end of the period	**224,934**	204,969

* An amount of EUR 1,274 thousand previously reported under Effective portion in fair value of cash flow hedges, net of tax for the 3 months ended 31 March 2010 has been reclassified to Foreign exchange translation differences.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the 3 months ended 31 March 2011 (Unaudited)	For the 3 months ended 31 March 2010 (Unaudited)
Cash flows from operating activities	**7,586**	*21,402
Cash flows used in investing activities	**(24,097)**	*(26,947)
Cash flows from/(used in) financing activities	**15,912**	(2,963)
Decrease in cash and cash equivalents	**(599)**	(8,508)
Cash and cash equivalents at the beginning of the period	**10,527**	22,417
Foreign currency exchange differences on cash	**38**	928
Cash and cash equivalents at the end of the period	**9,966**	14,837

* Reclassified for comparison purposes

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 1 – General and principal activities

Cinema City International N.V. ("the Company") is incorporated and domiciled in the Netherlands. The shares in the Company are traded on the Warsaw Stock Exchange. As at 31 March 2011, 53.89% of the outstanding shares in the Company are held by I.T. International Theatres Ltd. (“ITIT”), incorporated in Israel. The Group is principally engaged in the operation of entertainment activities in various countries including: Poland, Hungary, Czech Republic, Bulgaria, Romania, Slovakia and Israel. The Company is also engaged in managing and establishing its own entertainment real estate projects for rental purposes, in which the Company operates motion picture theatres. In addition, the Company is involved in short-term and long-term real estate trading in Central Europe. The Company’s business is in large dependent both upon the availability of suitable motion pictures from third parties for exhibition in its theatres, and the performance of such films in the Company’s markets.

The Condensed Consolidated Interim Financial Statements of the Company for the three months ended 31 March 2011 comprise the Company and its subsidiaries and joint ventures (together referred to as “the Group”) and the Group’s interest in associates.

The 31 March 2011 Condensed Consolidated Interim Financial Statements were authorised for issue by the Management Board on 19 May 2011.

Note 2 – Summary of significant accounting policies

A. Basis of preparation

The accounting policies applied by the Company in these Condensed Consolidated Interim Financial Statements are the same as those applied by the Company in its consolidated financial statements for the year ended 31 December 2010, except for the adoption of the following new or amended Standards and Interpretations applicable to annual reporting periods beginning on or after 1 January 2011:

- Amendments to IAS 32 Financial instruments: presentation: Classification of Rights Issues – effective for financial years beginning on or after 1 February 2010,
- IAS 24 Related Party Disclosures (revised in November 2009) – effective for financial years beginning on or after 1 January 2011,
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirments and their Interaction: Prepayments of a Minimum Funding Requirements – effective for financial years beginning on or after 1 January 2011,
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments – effective for financial years beginning on or after 1 July 2010,
- Improvements to IFRSs (issued in May 2010) – some improvements are effective for annual periods beginning on or after 1 July 2010, the rest is effective for annual periods beginning on or after 1 January 2011.

Adoption of the above new standards and amendments to standards did not have impact on the financial position or performance of the Group.

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

A. Basis of preparation (cont'd)

The 31 March 2011 Condensed Consolidated Interim Financial Statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited 2010 Annual Accounts which have been prepared in accordance with International Financial Reporting Standards (IFRS).

The Consolidated Financial Statements of the Group for the year ended 31 December 2010 are available upon request from the Company's registered office at Weena 210-212, 3012 NJ Rotterdam, the Netherlands or at the Company's website: www.cinemacity.nl/en.

B. The use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions. These judgements, estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by the Management Board in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2010.

C. Functional and presentational currency

The functional currencies of the operations in Central Europe are the relevant local currencies: the Bulgarian leva, the Czech crown, the Hungarian forint, Romanian New Lei and the Polish zloty. The functional currency of the operations in Israel is the New Israeli shekel (NIS).

The financial statements of the above mentioned foreign operations are translated from the functional currency into Euros (presentation currency) for both 2010 and 2011 as follows:
- Assets and liabilities, both monetary and non-monetary are translated at the closing exchange rate.
- Income statement items were translated at the average exchange rate for the year/period.
- Foreign exchange differences arising on translation have been recognised directly in equity.

D. Principles of consolidation

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

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

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

E. Exchange rates

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

	Exchange rate of euro					
As of	**Czech crown (CZK)**	**Hungarian forint (HUF)**	**Polish zloty (PLN)**	**US dollar (USD)**	**Israeli shekel (NIS)**	**Romania New Lei (RON)**
31 March 2011	**24.54**	**267.31**	**4.00**	**1.41**	**4.95**	**4.11**
31 December 2010	25.29	280.03	3.97	1.33	4.74	4.30
31 March 2010	25.46	266.27	3.88	1.35	4.99	4.09
Change during the period	**%**	**%**	**%**	**%**	**%**	%
2011 (3 months)	**(2.97)**	**(4.54)**	**0.76**	**6.02**	**4.43**	**(4.42)**
2010 (12 months)	(4.28)	2.71	(4.11)	(6.99)	(12.87)	1.18
2010 (3 months)	(3.65)	(2.20)	(6.27)	(6.13)	(8.29)	(3.87)

	Exchange rate of euro					
Average for the period	**Czech crown (CZK)**	**Hungarian forint (HUF)**	**Polish zloty (PLN)**	**US dollar (USD)**	**Israeli shekel (NIS)**	**Romania New Lei (RON)**
2011 (3 months)	**24.39**	**272.70**	**3.95**	**1.37**	**4.92**	**4.23**
2010 (12 months)	25.32	275.94	4.00	1.33	4.95	4.22
2010 (3 months)	25.92	269.34	4.00	1.38	5.18	4.13
Change during the period	**%**	**%**	**%**	**%**	**%**	%
2011 (3 months)	**(3.67)**	**(1.17)**	**(1.25)**	**3.01**	**(0.61)**	**0.24**
2010 (12 months)	(4.38)	(1.85)	(7.83)	(4.32)	(9.51)	(0.71)
2010 (3 months)	(2.10)	(4.20)	(7.73)	(0.01)	(5.35)	(2.77)

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

The local currency in Slovakia is the euro**.**

Note 3 – Changes in Consolidated Entities

Changes in consolidated and associated entities during the first quarter of 2011

Entity newly in consolidation:

- Palace Cinemas Czech s.r.o., 100% owned by the Company, incorporated in the Czech Republic
- Palace Cinemas Hungary Kft, 100% owned by the Company, incorporated in Hungary
- Palace Cinemas Slovak Republic s.r.o., 100% owned by the Company, incorporated in Slovakia
- Palace Multikino s.r.o., 100% owned by the Company, incorporated in Slovakia (in May 2011, the name of this company was changed to Cinema City Slovakia s.r.o.).

All of the companies above were acquired as part of the Palace Cinema acquisition in January 2011 (see Note 4).

In May 2011, Forum Film Slovakia s.r.o., 100% owned by the Company, was incorporated in Slovakia. This entity will specialize in the distribution of movies in Slovakia.

Note 4 – Acquisitions

On 19 January 2011, the Company signed a share and asset purchase agreement with Palace Cinemas (Central Europe) B.V. ('Palace Cinemas'), under which agreement the Company acquired 100% of the shares in four Central European subsidiaries of Palace Cinemas, notably: Palace Cinemas Czech s.r.o., Palace Cinemas Hungary Kft, Palace Cinemas Slovak Republic s.r.o. and Palace Multikino s.r.o. and related assets. The acquisition with a total purchase price of EUR 28.0 million, comprised in total 15 multiplexes with 141 screens in the Czech Republic, Hungary and Slovakia plus a leasing agreement for 1 multiplex with 8 screens in Ostrava, the Czech Republic planned to be opened in 2012.
Under the share and asset purchase agreement with Palace Cinemas, the Company is also rendering selected management services, during a transitional period, for the 8 multiplexes (with 48 screens) operated by Palace Mozi Kft, a Hungarian subsidiary of Palace Cinemas that was not acquired by the Company.
At the closing, the Company paid EUR 21.4 million to the seller and assumed EUR 6.6 million in existing debt of the acquired companies. The acquisition was financed from the Company's existing cash and from available credit lines.
In connection with the acquisition, an amount of approximately EUR 7.8 million was recognised as goodwill which is mainly made up of future economic benefits including post-acquisition synergies. The fair value of the total consideration transferred as at acquisition date amounts to EUR 21.4 million.

Note 5 – Commitments and contingent liabilities

The Company and its subsidiaries did not enter into any new agreements or contracts that resulted in additional significant commitments or contingent liabilities since 31 December 2010. The commitments, contingent liabilities and liens as disclosed in the Company's 2010 Annual Accounts for the year ended 31 December 2010 have not materially changed as at 31 March 2011, except for further commitments to open new cinemas as part of the Company's expansion plans and except for securities as disclosed below.

As part of the Palace Cinema acquisition in January 2011 the Company assumed EUR 6.6 million in existing debt of the acquired companies including existing securities such as pledge over properties, share capital and receivables.

During the quarter ended 31 March 2011 the Company provided a guarantee for new loans to a Polish bank totalling PLN 67 million (EUR 16.8 million). As of 31 March 2011, the Group has guarantees for loans that in total amount to EUR 12 million and PLN 255.5 million (EUR 63.9 million) in connection with loans provided to subsidiaries.

Note 6 – Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Company's business. These risks are described in full detail in the 2010 Annual Accounts. As at 31 March 2011, the Company has hedged some of its USD expenses through March 2011 in respect of its Czech theatre operations against the Czech crown.
In connection with these obligations, the Company has entered into a forward foreign exchange contract comprising a commitment to buy USD 90,000 at the beginning of each month until August 2011 at fixed prices denominated in Czech crown.

Forward foreign exchange contracts have been valued in the Condensed Consolidated Statement of Financial Position at 31 March 2011 at their fair value. The valuation of contracts is booked directly into equity in a separate Hedge reserve. The company designate these contracts to hedge future cash flow fluctuations deriving from differences between the USD against local currency as described above. Amounts are released from the Hedge reserve to profit or loss when the future transaction is settled.

Note 7 – Share capital

The authorised share capital of the Company consists of 175,000,000 shares of EUR 0.01 par value each.
The number of issued and outstanding ordinary shares as at 1 January 2011 was 51,200,000 and remained unchanged during the first quarter of 2011.

Note 8 – Discontinued operations

Towards the end of 2009, the Company decided to terminate its DVD distribution activities in Hungary as well as in the Czech Republic. The film distribution activities in these two countries have been taken place in an unpredictable market environment making it difficult for management to derive real growth and profitability from this segment. The consolidated income statement for the three months ended 31 March 2010 comprise the results from film distribution activities in Hungary and the Czech Republic which were discontinued in 2010.

Note 9 - Segment Reporting

The primary segment information is presented in respect of the Group's business segments which are in accordance with the Group's management and internal reporting structure. The Group's operations in Israel and Central Europe are organised under the following major business segments:

- Theatre operations
- Distribution - Distribution of movies
- Video & DVD- Discontinued operations
- Other- this includes the company's real estate business.

	For the 3 months ended 31 March 2011				
	EUR (thousands) –(unaudited)				
	Theatre Operations	**Distribution**	**Other**	**Eliminations**	**Consolidated**
Revenues					
External sales	60,659	4,444	685	-	65,788
Inter-segment sales	5	2,816	-	(2,821)	-
Total revenues	60,664	7,260	685	(2,821)	65,788
Segment results	4,705	101	115	-	4,921
Net financial expense					(516)
loss on disposals					(6)
Income taxes					(665)
Minority interests					(100)
Net income					3,634

	31 March 2011				
	EUR (thousands) – (unaudited)				
	Theatre Operations	**Distribution**	**Other**	**Unallocated**	**Consolidated**
Segment assets	299,270	4,854	16,482	3,191	323,797
Segment liabilities	34,465	4,975	2,664	61,403	103,507
Capital expenditure	6,676	340	-	-	7,016

Note 9 - Segment Reporting (cont'd)

	For the 3 months ended 31 March 2010							
	EUR (thousands) –(unaudited)							
	Theatre Operations	**Distribution**	**Video & DVD (discon--tinued)**	**Other**	**Elimi-nations**	**Conso-lidated**	**Less: Video& DVD (discon-tinued**	**Conti-nuing operations**
Revenues								
External sales	64,449	5,051	2,037	577	-	72,114	2,037	70,077
Inter-segment sales	27*	3,786	25	-	(3,838)*	-	-	-
Total revenues	64,476	8,837	2,062	577	(3,838)	72,114	2,037	70,077
Segment results	15,263	(103)	135	195	-	15,490	135	15,355
Net financial expense						(767)	(18)	(749)
Gain on disposals						6	-	6
Income taxes						(2,205)	(105)	(2,100)
Minority interests						182	-	182
Net income						12,706	12	12,694

	31 March 2010					
	EUR (thousands) – (unaudited)					
	Theatre Operations	**Distribution**	**Video & DVD (discontinued)**	**Other**	**Unallocated**	**Consolidated**
Segment assets	245,471	11,951	1,420	102,635	1,854	363,331
Segment liabilities	27,201	8,615	3,931	8,512	114,640	162,899
Capital expenditure	5,902	19	-	4,511	-	10,432

* An amount of EUR 113 thousand was reclassified for comparison purposes.

Note 10 – Related party transactions

There were no material transactions and balances with related parties during the first quarter of 2011 other than were already disclosed in the 2010 Consolidated Financial Statements.

Note 11 – Share-based payments

The Company has implemented a long-term incentive plan (the "Plan"). Under the Plan, share options can be granted to members of the Management Board and selected employees. For details of the Plan, reference is made to the Consolidated Financial Statements of the Group for the year ended 31 December 2010. No new options were granted to employees during for the three months ended 31 March 2011.
The weighted average exercise price of options outstanding (vested but not yet exercised) is EUR 6.25. The number of exercisable options at 31 March 2011 is 104,333.
The impact of the share-based payments on the financial statements of the Company for the three months ended 31 March 2011 was an expense of EUR 4,000 (three months ended 31 March 2010: EUR 16,000) recognised in the income statement with a corresponding increase in equity. During the three months ended 31 March 2011 and during the year 2010 no options were forfeited.

Note 12 – Impairment losses and provisions

During the three months ended 31 March 2011, no impairment losses were charged.

Note 13 – Subsequent events

None