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Tell S.A. Group

CONSOLIDATED HALF-YEARLY REPORT FOR 2015

Poznań, 17 August 2015

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SELECTED FINANCIAL DATA OF THE TELL S.A. GROUP

Basic items of the consolidated balance sheet, consolidated income statement and the consolidated cash flow statement as converted into EUR are presented in the table below:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | From 01/01 to 30/06/2015 | From 01/01 to 30/06/2014 | From 01/01 to 31/12/2014 | From 01/01 to 30/06/2015 | From 01/01 to 30/06/2014 | From 01/01 to 31/12/2014 |
|  | k PLN | | | k EUR | | |
| ***Income statement*** |  |  |  |  |  |  |
| Sale revenues | 155,643 | 121,060 | 248,632 | 37,648 | 28,972 | 59,351 |
| Operating profit (loss) | 6,055 | 4,577 | 10,792 | 1,465 | 1,095 | 2,576 |
| Profit (loss) before taxation | 5,265 | 3,977 | 7,997 | 1,274 | 952 | 1,909 |
| Net profit (loss) | 4,058 | 3,097 | 6,031 | 982 | 741 | 1,440 |
| Net profit (loss) - share of the shareholders of the Parent Company | 3,614 | 3,097 | 6,031 | 874 | 741 | 1,440 |
| Average weighted number of shares (items) | 5,788,531 | 5,110,847 | 5,110,847 | 5,788,531 | 5,110,847 | 5,110,847 |
| Earnings per share (PLN; EUR) | 0.62 | 0.61 | 1.18 | 0.15 | 0.15 | 0.28 |
| Diluted earnings per share (PLN; EUR) | 0.62 | 0.61 | 1.18 | 0.15 | 0.15 | 0.28 |
| Average exchange rate PLN / EUR in the period | x | x | x | 4.1341 | 4.1784 | 4.1892 |
|  |  |  |  |  |  |  |
| ***Cash Flow Statement*** |  |  |  |  |  |  |
| Net cash flow from operating activity | 19 | 2,944 | 9,764 | 5 | 704 | 2,331 |
| Net cash flow from investing activity | -1,850 | -893 | -2,170 | -447 | -214 | -518 |
| Net cash flow from financial activity | 2,979 | -888 | -7,652 | 720 | -213 | -1,827 |
| Net change in cash and cash equivalents | 1,147 | 1,162 | -59 | 278 | 278 | -14 |
| Average exchange rate PLN / EUR in the period | x | x | x | 4.1341 | 4.1784 | 4.1892 |
|  |  |  |  |  |  |  |
|  | 30/06/2015 | 30/06/2014 | 31/12/2014 | 30/06/2015 | 30/06/2014 | 31/12/2014 |
|  | k PLN | | | k EUR | | |
| ***Balance sheet*** |  |  |  |  |  |  |
| Assets | 185,161 | 117,707 | 119,189 | 44,145 | 28,289 | 27,964 |
| Long-term liabilities | 13,663 | 7,260 | 7,382 | 3,257 | 1,745 | 1,732 |
| Short-term liabilities | 89,123 | 51,626 | 55,162 | 21,248 | 12,407 | 12,942 |
| Shareholder’s equity | 82,375 | 58,822 | 56,645 | 19,639 | 14,137 | 13,290 |
| Equity - share of the parent company shareholders | 80,880 | 58,822 | 56,645 | 19,283 | 14,137 | 13,290 |
| PLN / EUR exchange rate at period end | x | x | x | 4.1944 | 4.1609 | 4.2623 |

In the periods covered by these interim financial statements, the following average exchange rates of PLN and EUR published by the National Bank of Poland were used:

* the exchange rate in force on the last day of the reporting period: 30/06/2015 4.1944 PLN/EUR, 30/06/2014 4.1609 PLN/EUR, 31/12/2014 4.2623 PLN/EUR,
* the average exchange rate in the period, calculated as an arithmetical average of exchange rated in force on the last day of each month in the given period: 01/01 - 30/06/2015 4.1341 PLN/EUR, 01/01 - 30/06/2014 4.1784 PLN/EUR, 01/01 - 31/12/2014 4.1892 PLN/EUR,
* the highest and the lowest exchange rate in force in each period: 01/01 - 30/06/2015 4.2081 and 4.0337 PLN/EUR, 01/01 - 30/06/2014 4.2368 and 4.1420 PLN/EUR, 01/01 - 31/12/2014 4.2623 and 4.1420 PLN/EUR.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE TELL S.A. GROUP

|  |  |  |  |
| --- | --- | --- | --- |
| **ASSETS** | 30/06/2015 | 30/06/2014 | 31/12/2014 |
| **Fixed assets** |  |  |  |
| Goodwill | 68,385 | 57,581 | 57,581 |
| Intangible fixed assets | 6,018 | 641 | 593 |
| Tangible fixed assets | 12,739 | 4,515 | 4,917 |
| Investment properties |  |  |  |
| Interests in subsidiaries |  | 1,287 |  |
| Interests in associates |  |  |  |
| Receivables and loans | 1,272 | 1,011 | 1,005 |
| Financial derivatives |  |  |  |
| Other long-term financial assets |  |  |  |
| Long-term prepayments | 3 | 65 |  |
| Deferred income tax assets | 2,791 | 1,019 | 836 |
| **Fixed assets** | **91,208** | **66,118** | **64,931** |
| **Current assets** |  |  |  |
| Inventories | 15,096 | 9,085 | 12,745 |
| Receivables from building services contracts |  |  |  |
| Trade Receivables and Other Receivables | 72,916 | 40,127 | 40,592 |
| Current tax assets | 22 | 26 | 65 |
| Loans | 12 | 21 | 27 |
| Financial derivatives |  |  |  |
| Other short-term financial assets |  |  |  |
| Short-term prepayments | 4,225 | 574 | 294 |
| Cash and cash equivalents | 1,682 | 1,755 | 535 |
| Fixed assets classified as held for sale |  |  |  |
| Total current assets | **93,953** | **51,589** | **54,258** |
| **Total assets** | **185,161** | **117,707** | **119,189** |

|  |  |  |  |
| --- | --- | --- | --- |
| **EQUITY AND LIABILITIES** | 30/06/2015 | 30/06/2014 | 31/12/2014 |
| **Shareholder’s equity** |  |  |  |
| Equity - share of the parent company shareholders: |  |  |  |
| Share capital | 1,378 | 1,022 | 1,022 |
| Treasury shares (-) |  |  |  |
| Share premium | 45,129 | 24,863 | 24,863 |
| Other Capitals | 1,459 | 1,459 | 1,459 |
| Retained profits: |  |  |  |
| - retained profit from previous years | 29,301 | 28,380 | 28,380 |
| - net profit for the parent company's shareholders | 3,614 | 3,097 | 6,031 |
| Equity - share of the parent company shareholders | 80,880 | 58,822 | 56,645 |
| Non-controlling shares | 1,495 |  |  |
| **Shareholder’s equity** | **82,375** | **58,822** | **56,645** |
|  |  |  |  |
| **Liabilities** |  |  |  |
| **Long-term liabilities** |  |  |  |
| Loans, credits, other debt instruments | 194 |  |  |
| Financial lease | 2,787 |  |  |
| Financial derivatives |  |  |  |
| Other liabilities |  |  |  |
| Deferred income tax liabilities | 8,236 | 7,192 | 7,309 |
| Employee benefit liabilities | 64 | 68 | 72 |
| Other long-term provisions |  |  |  |
| Long-term prepayments | 2,382 |  |  |
| **Long-term liabilities** | **13,663** | **7,260** | **7,382** |
| **Short-term liabilities** |  |  |  |
| Trade liabilities and other liabilities | 56,750 | 41,925 | 45,980 |
| Factoring liabilities | 10,056 |  |  |
| Current tax liabilities | 1,081 | 334 | 596 |
| Loans, credits, other debt instruments | 12,679 | 6,518 | 5,095 |
| Financial lease | 1,863 |  |  |
| Financial derivatives |  |  |  |
| Employee benefit liabilities | 6,534 | 2,848 | 3,492 |
| Other short-term provisions |  |  |  |
| Short-term prepayments | 159 |  |  |
| Liabilities related to fixed assets held for sale |  |  |  |
| **Short-term liabilities** | **89,123** | **51,626** | **55,162** |
| **Total provisions** | **102,786** | **58,885** | **62,544** |
| **Total equity and liabilities** | **185,161** | **117,707** | **119,189** |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE TELL S.A. GROUP

|  |  |  |  |
| --- | --- | --- | --- |
|  | from 01/01 to 30/06/2015 | from 01/01 to 30/06/2014 | from 01/01 to 31/12/2014 |
| **Continued activities** |  |  |  |
| **Sale revenues** | **155,643** | **121,060** | **248,632** |
| Revenues from the sale of products |  |  |  |
| Revenue from the sale of services | 105,506 | 70,010 | 141,139 |
| Revenue from the sale of goods and materials | 50,137 | 51,049 | 107,493 |
| **Sale costs** | **135,502** | **109,111** | **224,144** |
| Costs of products sold |  |  |  |
| Costs of services sold | 86,965 | 58,733 | 118,085 |
| Cost of goods and materials sold | 48,537 | 50,378 | 106,060 |
| **Gross profit (loss) on sales** | **20,141** | **11,948** | **24,487** |
| Sale costs | 5,060 | 2,897 | 5,750 |
| Administration costs | 9,204 | 4,233 | 8,443 |
| Other operating income | 721 | 291 | 1,428 |
| Other operating expense | 543 | 533 | 931 |
| Profit (loss) on the sale of subsidiaries (+/-) |  |  |  |
| **Operating profit (loss)** | **6,055** | **4,577** | **10,792** |
| Financial income | 206 | 36 | 76 |
| Financial costs | 996 | 635 | 2,871 |
| Share in the profit (loss) of entities measured using the equity method (+/-) |  |  |  |
| **Profit (loss) before taxation** | **5,265** | **3,977** | **7,997** |
| Income Tax | 1,207 | 880 | 1,966 |
| **Net profit (loss) on continued activities** | **4,058** | **3,097** | **6,031** |
| **Discontinued operations** |  |  |  |
| Net profit (loss) on discontinued operations |  |  |  |
| **Net profit (loss) - share of:** |  |  |  |
| - shareholders of the Parent Company | 3,614 | 3,097 | 6,031 |
| - non-controlling parties | 444 |  |  |

**NET PROFIT (LOSS) PER ORDINARY SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY (PLN)**

|  |  |  |  |
| --- | --- | --- | --- |
|  | from 01/01 to 30/06/2015 | from 01/01 to 30/06/2014 | from 01/01 to 31/12/2014 |
| on continued operations |  |  |  |
| - basic | 0.62 | 0.61 | 1.18 |
| - diluted | 0.62 | 0.61 | 1.18 |
| on continued and discontinued operations |  |  |  |
| - basic | 0.62 | 0.61 | 1.18 |
| - diluted | 0.62 | 0.61 | 1.18 |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE TELL S.A. GROUP

|  |  |  |  |
| --- | --- | --- | --- |
|  | from 01/01 to 30/06/2015 | from 01/01 to 30/06/2014 | from 01/01 to 31/12/2014 |
| **Net profit (loss)** | 4,058 | 3,097 | 6,031 |
| **Other comprehensive income** |  |  |  |
| **Items not carried as financial profit or loss** |  |  |  |
| Revaluation of tangible assets |  |  |  |
| Income tax referred to items not carried as financial profit or loss |  |  |  |
| **Items carried as financial profit or loss** |  |  |  |
| Available-for-sale financial assets: |  |  |  |
| - profit (loss) recognised in the period as other comprehensive income |  |  |  |
| - recognised as profit or loss |  |  |  |
| Cash flow hedging instruments: |  |  |  |
| - profit (loss) recognised in the period as other comprehensive income |  |  |  |
| - recognised as profit or loss |  |  |  |
| - amounts recognised in the initial value of the hedged items |  |  |  |
| Exchange differences on the measurement of foreign operations |  |  |  |
| Exchange differences transferred to the financial result - sale of foreign operations |  |  |  |
| Share in the other comprehensive income of entities measured using the equity method |  |  |  |
| Income tax referred to items carried as financial profit or loss |  |  |  |
| Other comprehensive income after taxation |  |  |  |
| **Comprehensive income** | 4,058 | 3,097 | 6,031 |
| **Comprehensive income - share of:** |  |  |  |
| - shareholders of the Parent Company | 3,614 | 3,097 | 6,031 |
| - non-controlling parties | 444 |  |  |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE TELL S.A. GROUP

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Equity - share of the parent company shareholders | | | | | Non-controlling shares | TOTAL EQUITY |
| Share capital | Share premium | Other Capitals | Retained profits | Total |
|
| **As at 01/01/2015** | **1,022** | **24,863** | **1,459** | **29,301** | **56,645** |  | **56,645** |
| Changes in accounting policies |  |  |  |  |  |  |  |
| Adjustment of fundamental errors |  |  |  |  |  |  |  |
| **Balance after changes** | **1,022** | **24,863** | **1,459** | **29,301** | **56,645** |  | **56,645** |
| **Changes in equity in the period from 01/01 to 30/06/2015** | | | | | | | |
| Issue of shares | 356 | 20,266 |  |  | 20,621 |  | **20,621** |
| Business combination |  |  |  |  |  | 1,298 | **1,298** |
| Dividend payment by subsidiaries |  |  |  |  |  | -247 | **-247** |
| Changes in the group structure (transactions with non-controlling parties) |  |  |  |  |  |  |  |
| Dividends |  |  |  |  |  |  |  |
| Financial result recognised as equity |  |  |  |  |  |  |  |
| Total transactions with shareholders | 356 | 20,266 |  |  | 20,621 | 1,051 | **1051** |
| Net profit for the period from 01/01 to 30/06/2015 |  |  |  | 3,614 | 3,614 | 444 | **4,058** |
| Other comprehensive income after taxation in the period from 01/01 to 30/06/2015 |  |  |  |  |  |  |  |
| Total comprehensive income |  |  |  | 3,614 | 3,614 | 444 | **4,058** |
| Transfer to retained profits (sale of revalued fixed assets) |  |  |  |  |  |  |  |
| **As at 30/06/2015** | **1,378** | **45,129** | **1,459** | **32,914** | **80,880** | **1,495** | **82,375** |
|  | Equity - share of the parent company shareholders | | | | | Non-controlling shares | TOTAL EQUITY |
| Share capital | Share premium | Other Capitals | Retained profits | Total |
|
| **As at 01/01/2014** | **1,022** | **24,863** | **1,459** | **28,380** | **55,725** |  | **55,725** |
| Changes in accounting policies |  |  |  |  |  |  |  |
| Adjustment of fundamental errors |  |  |  |  |  |  |  |
| **Balance after changes** | **1,022** | **24,863** | **1,459** | **28,380** | **55,725** |  | **55,725** |
| **Changes in equity in the period from 01/01 to 30/06/2014** | | | | | | | |
| Purchase of shares |  |  |  |  |  |  |  |
| Issue of shares in relation with the option exercise (share-based payment programme) |  |  |  |  |  |  |  |
| Option measurement (share-based payment programme) |  |  |  |  |  |  |  |
| Changes in the group structure (transactions with non-controlling parties) |  |  |  |  |  |  |  |
| Dividends |  |  |  |  |  |  |  |
| Financial result recognised as equity |  |  |  |  |  |  |  |
| Total transactions with shareholders |  |  |  |  |  |  |  |
| Net profit for the period from 01/01 to 30/06/2014 |  |  |  | 3,097 | 3,097 |  | 3,097 |
| Other comprehensive income after taxation in the period from 01/01 to 30/06/2014 |  |  |  |  |  |  |  |
| Total comprehensive income |  |  |  | 3,097 | 3,097 |  | 3,097 |
| Transfer to retained profits (sale of revalued fixed assets) |  |  |  |  |  |  |  |
| **As at 30/06/2014** | **1,022** | **24,863** | **1,459** | **31,477** | **58,822** |  | **58,822** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Equity - share of the parent company shareholders | | | | | Non-controlling shares | TOTAL EQUITY |
| Share capital | Share premium | Other Capitals | Retained profits | Total |
|
| **As at 01/12/2014** | **1,022** | **24,863** | **1,459** | **28,380** | **55,725** |  | **55,725** |
| Changes in accounting policies |  |  |  |  |  |  |  |
| Adjustment of fundamental errors |  |  |  |  |  |  |  |
| **Balance after changes** | **1,022** | **24,863** | **1,459** | **28,380** | **55,725** |  | **55,725** |
| **Changes in equity in the period from 01/01 to 31/12/2014** | | | | | | | |
| Purchase of shares |  |  |  |  |  |  |  |
| Issue of shares in relation with the option exercise (share-based payment programme) |  |  |  |  |  |  |  |
| Option measurement (share-based payment programme) |  |  |  |  |  |  |  |
| Changes in the group structure (transactions with non-controlling parties) |  |  |  |  |  |  |  |
| Dividends |  |  |  | -5,111 | -5,111 |  | **- 5,111** |
| Financial result recognised as equity |  |  |  |  |  |  |  |
| Total transactions with shareholders |  |  |  | - 5,111 | -5,111 |  | **-5,111** |
| Net profit for the period from 01/01 to 31/12/2014 |  |  |  | 6,031 | 6,031 |  | **6,031** |
| Other comprehensive income after taxation in the period from 01/01 to 31/12/2014 |  |  |  |  |  |  |  |
| Total comprehensive income |  |  |  | 6,031 | 6,031 |  | **6,031** |
| Transfer to retained profits (sale of revalued fixed assets) |  |  |  |  |  |  |  |
| **As at 31/12/2014** | **1,022** | **24,863** | **1,459** | **29,301** | **56,645** |  | **56,645** |

CONSOLIDATED CASH FLOW STATEMENT OF THE TELL S.A. GROUP

|  |  |  |  |
| --- | --- | --- | --- |
|  | from 01/01 to 30/06/2015 | from 01/01 to 30/06/2014 | from 01/01 to 31/12/2014 |
| **Cash flow from operating activity** | | | |
| Profit (loss) before taxation | 5,265 | 3,977 | 7,997 |
| *Adjustments:* |  |  |  |
| Depreciation of tangible fixed assets | 1,803 | 893 | 1,826 |
| Change in the fair value of investment properties |  |  |  |
| Change in the fair value of financial assets (liabilities) measured at fair value through profit or loss |  |  |  |
| Cash flow hedging instruments transferred from equity |  |  |  |
| Impairment loss on financial assets |  |  | 1,287 |
| Profit (loss) on the sale of non-financial fixed assets | -174 | -10 | 4 |
| Exchange difference gains/losses |  |  |  |
| Interest expense | 554 | 202 | 387 |
| Interest and dividend income | -231 | -1 | -14 |
| Cost of share-based payments (incentive programmes) |  |  |  |
| Share in the profit (loss) of associate companies |  |  |  |
| Other adjustments |  | 74 | 129 |
| **Total adjustments** | **1,953** | **1,158** | **3,620** |
| Change in inventories | -194 | 2,392 | -1,268 |
| Change in receivables | -4,950 | 3,913 | 3,436 |
| Change in liabilities | -1,320 | -6,124 | -1,067 |
| Change in provisions and prepayments | 612 | -640 | -660 |
| Change in building contracts |  |  |  |
| **Changes in working capital** | **-5,851** | **-460** | **441** |
| Inflows (outflows) from the settlement of derivatives |  |  |  |
| Interest paid on operating activities |  |  |  |
| Taxes paid | -1,348 | -1,732 | -2,294 |
| **Net cash flow from operating activity** | **19** | **2,944** | **9,764** |

|  |  |  |  |
| --- | --- | --- | --- |
|  | from 01/01 to 30/06/2015 | from 01/01 to 30/06/2014 | from 01/01 to 31/12/2014 |
| **Cash flow from investing activity** | | | |
| Expenses to purchase fixed assets | -3,851 | -923 | -2,336 |
| Inflows from the sale of fixed assets | 94 | 63 | 174 |
| Expenses to purchase investment properties |  |  |  |
| Inflows from the sale of investment properties |  |  |  |
| Net expenses to purchase subsidiaries |  |  |  |
| Net inflows from the sale of subsidiaries |  |  |  |
| Received repayments of loans granted | 16 | 11 | 24 |
| Loans granted |  | -46 | -46 |
| Expenses to purchase other financial assets |  |  |  |
| Inflows from the sale of other financial assets |  |  |  |
| Inflows from government subsidies received |  |  |  |
| Interest income | 231 | 1 | 14 |
| Cash from business combination | 1,660 |  |  |
| **Net cash flow from investing activity** | **-1,850** | **-893** | **-2,170** |
|  | | | |
| Net inflows from the issue of shares |  |  |  |
| Purchase of treasury shares |  |  |  |
| Transactions with non-controlling parties, with no loss of control |  |  |  |
| Inflows from debt securities in issue |  |  |  |
| Redemption of debt securities |  |  |  |
| Inflows from loans and credits contracted | 11,821 | 3,551 | 5,457 |
| Repayment of loans and advances | -7,463 | -4,174 | -7,504 |
| Repayment of financial lease liabilities | -678 |  |  |
| Interest paid | -554 | -265 | -505 |
| Dividends paid | -147 |  | -5,100 |
| **Net cash flow from financial activity** | **2,979** | **-888** | **-7,652** |
| **Net change in cash and cash equivalents** | **1,147** | **1,162** | **-59** |
| Cash and cash equivalents at period beginning | 535 | 593 | 593 |
| Exchange differences |  |  |  |
| **Cash and cash equivalents at period end** | **1,682** | **1,755** | **535** |

SUPPLEMENTARY NOTES TO THE ABBREVIATED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE TELL S.A. GROUP

1. Declaration of the Management Board of the Issuer

Pursuant to the regulation of the Minister of Finance of 19 February 2009 on ongoing and periodical information to be given by issuers of securities, the Management Board of the Issuer hereby states and declares that, to the best of its knowledge, these abbreviated interim consolidated financial statements and comparable data have been prepared in accordance with the accounting policies binding on the Group and they present the economic and financial situation of the Company as well as its financial result in a true, reliable and fair manner and that the half-yearly report on the activities of the issuer present a true picture of the development, achievement and situation of the issuer, including a description of basic risks and threats.

The Management Board hereby declares that the entity authorised to audit the abbreviated interim consolidated financial statements that audited the consolidated interim financial statements has been appointed in accordance with the legal regulations and that this entity as well as the chartered auditors in charge of the audit, meet the requirements allowing them to issue an impartial and independent report on the audit as per the applicable domestic laws and professional standards.

In accordance with the corporate governance riles adopted by the Management Board, the chartered auditor was appointed by the Supervisory Board by virtue of the resolution of 03 June 2015 on the appointment of a chartered auditor. The Supervisory Board made the above appointment so as to guarantee full independence and objectivity of the appointment process as well as the performance of his duties by the chartered auditor.

1. Rules applied in preparing these statements, including information about changes to accounting policies (rules)
   1. Drawing up basis

The abbreviated interim consolidated financial statements of the TELL S.A. Group comprise the period of 6 months ended on 30/06/2015 and was made in accordance with IAS 34 *Interim Financial Reporting* and in accordance with the IFRS applicable to the interim financial reporting as approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) in the form as endorsed by the European Union and in force as at 30 June 2015.

In order to ensure a better understanding of the financial and economic position of the Group, additionally, comparable data from the consolidated balance sheet made as at 31/12/2014 were provided, event though there is no such requirement in IAS 34.

The abbreviated interim consolidated financial statements do not contain all the information that is disclosed in the annual consolidated financial statements prepared in accordance with IFRS. These interim consolidated financial statements should be read together with the consolidated financial statements of the Group for the year 2014.

The reporting currency of these interim consolidated financial statements is Polish zloty (PLN) and all the amounts are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated).

The abbreviated interim consolidated interim financial statements were prepared in accordance with the going concern principle. As at the date of the approval of these abbreviated interim consolidated financial statements for publication there are no circumstances which may pose a risk to the going concern assumption with regard to the Group companies.

* 1. Accounting policies

In the period from 01 January to 30 June 2015, the accounting principles did not change when it comes to the valuation of assets and liabilities and the measurement of the financial result.

In the remaining scope, these abbreviated interim consolidated financial statements were prepared in accordance with the accounting principles as presented in the latest consolidated financial statements of the Group for the year ended on 31 December 2014.

* 1. Changes in the presentation of data in the statement of profit or loss

By virtue of decision of the Issuer's Management Board, new principles concerning the aggregation of own costs of services sold and the sale costs were implemented. The change does not influence the financial result of the adjusted period but will allow a better understanding of the financial statements, in particular in the context of the takeover of Cursor S.A. and Divante Sp. z o.o. (table below).

Consolidated financial statements for the period from 01/01 to 30/06/2014 before and after adjustment:

|  |  |  |  |
| --- | --- | --- | --- |
|  | from 01/01 to 30/06/2014 before adjustment | Adjustment | from 01/01 to 30/06/2014  after adjustment |
| **Sale revenues** | **121,060** |  | **121,060** |
| Revenue from the sale of services | 70,010 |  | 70,010 |
| Revenue from the sale of goods and materials | 51,049 |  | 51,049 |
| **Sale costs** | **91,757** | **17,355** | **109,111** |
| Costs of services sold | 41,379 | 17,355 | 58,733 |
| Cost of goods and materials sold | 50,378 |  | 50,378 |
| **Gross profit (loss) on sales** | **29,303** | **-17,355** | **11,948** |
| Sale costs | 20,252 | -17,355 | 2,897 |
| Administration costs | 4,233 |  | 4,233 |
| Other operating income | 291 |  | 291 |
| Other operating expense | 533 |  | 533 |
| **Operating profit (loss)** | 4,577 | **0** | 4,577 |

Consolidated financial statements for the period from 01/01 to 31/12/2014 before and after adjustment:

|  |  |  |  |
| --- | --- | --- | --- |
|  | from 01/01 to 31/12/2014 before adjustment | Adjustment | from 01/01 to 31/12/2014  after adjustment |
| **Sale revenues** | **248,632** |  | **248,632** |
| Revenue from the sale of services | 141,139 |  | 141,139 |
| Revenue from the sale of goods and materials | 107,493 |  | 107,493 |
| **Sale costs** | **188,331** | **35,813** | **224,144** |
| Costs of services sold | 82,272 | 35,813 | 118,085 |
| Cost of goods and materials sold | 106,060 |  | 106,060 |
| **Gross profit (loss) on sales** | **60,301** | **-35,813** | **24,487** |
| Sale costs | 41,563 | -35,813 | 5,750 |
| Administration costs | 8,443 |  | 8,443 |
| Other operating income | 1,428 |  | 1,428 |
| Other operating expense | 931 |  | 931 |
| **Operating profit (loss)** | **10 72** | **0** | **10 72** |

* 1. Change of Standards and Interpretations

When preparing the interim consolidated financial statements, the Company follows the same rules as when preparing the annual consolidated financial statements, save the amendments to standards and new standards and interpretations endorsed by the European Union which are effective for reporting periods beginning on or after 1 January 2015:

* Improvements to IFRSs (2010-2012) – amendments as part of the procedure of introduction of annual improvements of IFRSs,
* Improvements to IFRSs (2011-2013) – amendments as part of the procedure of introduction of annual improvements of IFRSs,
* Amendments to IAS 19 *Defined benefit plans: Employee Contributions*.

In 2015, the group adopted all new and approved standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee and endorsed by the European Union, which apply to its business and effective for the reporting periods beginning on or after 01 January 2015.

The standards and interpretations adopted by the IASB that have not been endorsed by the European Union yet:

1. IFRS 9 *Financial Instruments* (of 24 February 2014) – effective for reporting periods beginning on or after 1 January 2018

The new standard replaces IAS 39 Financial Instruments: Recognition and Measurement, with regard to the classification and measurement of financial assets. The standard eliminates the IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables. Upon initial recognition, the financial assets will be classified into one of the following two categories:

- financial assets measured at amortised cost; or

- financial assets measured at fair value.

The financial asset is measured at amortised cost, if the following two conditions are satisfied: assets are held under a business model whose objective is to hold assets in order to obtain contractual cash flows; and, its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The gains and losses on the measurement of financial assets carried at fair value are recognised in profit or loss of the current period, except for the situation when the investment in an equity instrument is not held for trading. IFRS 9 allows one to take a decision about the measurement of such financial instruments upon their initial recognition at fair value through other comprehensive income. Such a decision is irreversible. The selection may be made for each instrument separately. The values recorded in other comprehensive income may not be reclassified to profit or loss in later periods.

1. Improvements to IFRSs (2012-2014) – amendments as part of the procedure of introduction of annual improvements of IFRSs - effective for reporting periods beginning on or after 1 July 2016.
2. IFRS 14: *Regulatory Deferral Accounts* - effective for reporting periods beginning on or after 01 January 2016.

This standard was published as part of a larger rate-regulated activities project concerning the comparability of financial statements of entities operating in areas where the prices are regulated by regulatory bodies or supervisory bodies (depending on the jurisdiction, such area often include the electric energy and heat distribution, energy and gas sale, telecommunications services, etc.).

IFRS 14 does not refer in the wider scope to the accounting principles for rate-regulated activities but only determines the principles of recognition of items constituting the revenue or costs eligible for recognition as profit or loss in accordance with the rate-regulation provisions and which, in the light of other IFRSs do not meet the conditions of recognition as assets or liabilities.

The application of IFRS 14 is allowed only if the entity carries out rate-regulated activities and in its financial statements made in accordance with the previously applied accounting principles recognised the amounts eligible for recognition as ‘regulatory deferral account balances’.

Pursuant to IFRS 14 published such accounts should be presented in separate items of the statement of financial position (balance sheet) as, respectively, an asset or a liability. These accounts are not divided into current or fixed items and cannot be referred to as assets or liabilities. Therefore, the ‘deferred accounts’ disclosed in assets are referred to as “regulatory deferral account debit balances’ and those disclosed in liabilities - as ‘regulatory deferral account credit balances’.

In their statements of profit or loss and other comprehensive income, the entities should disclose net changes in ‘deferral accounts’, respectively in the part ‘other comprehensive income; or in the part ‘profit or loss’ (on in the separate statement of profit or loss).

1. IFRS 15 *Revenue from Contracts with Customers* - effective for reporting periods beginning on or after 01 January 2018.

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requires such entities to provide more informative and relevant disclosures. This standard provides a single, principles based five-step model to be applied to all contracts with customers when recognising revenue.

1. Amendment to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture: Bearer Plants* – effective for reporting periods beginning on or after 1 January 2016

The amendment brings the bearer plants, currently covered by IAS 41 *Agriculture: Bearer Plants* into the scope of IAS 16 *Property, Plant and Equipment* so that they are accounted for in the same way as property, plant and equipment, i.e. with the application of measurement at cost or at revaluation. Pursuant to IAS 41 all biological assets used for agricultural activity are measured at fair value less the estimated costs to sell.

1. Amendment to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets:* *Clarifications of Acceptable Methods of Depreciation and Amortisation* – effective for reporting periods beginning on or after 1 January 2016

With regard to the depreciation, it was reminded that the depreciation method should reflect the consumption by the entity of economic benefits embodies in the assets. In the amendment to IAS 16 it was added that the revenue-based method (depreciation charges made proportionally to the revenues generated by the entity from the activity in which the given fixed assets are used) is not appropriate. The IASB indicated that a lot of other factors such as, e.g. inflation, that has absolutely nothing to do with the consumption of economic benefits embodied in the tangible fixed assets, influenced the amount of revenues.

With regard to the intangible assets (i.e. as part of amendment to IAS 38), it was concluded that in limited circumstances it may be assumed that the application of revenue-based amortisation method might be appropriate. Such a situation will occur when it can be demonstrated that the revenue and the consumption of economic benefits of the intangible asset are highly correlated and when the intangible asset is expressed as a measure of revenue (when the entity has achieved a defined revenue threshold, the given intangible asset will expire) - the example here may be the right to dig gold from a deposit until a certain revenue is achieved.

1. Amendment to IFRS 11 *Joint Arrangements:* *Accounting for Acquisitions of Interests in Joint Operations* - effective for reporting periods beginning on or after 01 January 2016.

The amendment clarifies the accounting for acquisitions of and interest in a joint operation when the operation constitutes a business as defined in IFRS 3.

IFRS 3 indicates now that in such a situation the entity should, in the scope resulting from its interest in the joint operation, apply the principles resulting from IFRS 3 *Business Combinations* (as well as other IFRSs that are not in conflict with the guidance in IFRS 11) and should disclose information required relevant for business combinations. Part B of the standard presents more detailed guidelines concerning the method of recognition of, without limitation, the goodwill, impairment tests.

1. Amendments to IAS 1 *Presentation of Financial Statements* - effective for reporting periods beginning on or after 01 January 2016.

The amendments aim at encouraging entities to use their judgement to determine what information is disclosed in their financial statements and where and in what order the disclosures are presented in the financial statements.

1. Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures* -  effective for reporting periods beginning on or after 1 January 2016,

The amendments concern investment units: application of consolidation exemption. They also clarify the accounting for investment unit.

1. Amendments to IAS 27 *Separate Financial Statements* - effective for reporting periods beginning on or after 01 January 2016.

The amendments concern the application of the equity method in separate financial statements. They aim at restoring this method as an additional option of accounting for investments in subsidiaries, joint ventures and associates.

1. Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* -  effective for reporting periods beginning on or after 1 January 2016 - delayed,

The amendments concern the sale or contribution of assets between the investor and its associate or a joint venture and clarify that the recognition of a gain or loss on transactions with the participation of an associate or a joint venture depends on whether or not the assets sold or contributed constitute a business. According to the Group’s estimates, the above-mentioned standards, interpretations and amendments would not have any significant impact on the financial statements if they had been applied by the Group at the end of the reporting period.

* 1. Estimation Uncertainty

When preparing these abbreviated interim consolidated financial statements, the Parent Company's Management Board uses its best judgement when making the estimates and assumptions that influence the accounting policies (rules) applied and the presented values of assets, liabilities, revenue and costs. The actually realised values may differ from the estimates made by the Management Board. Information about the estimates and assumptions that are material for the consolidated financial statements have been presented in the consolidated financial statements for the year 2014.

1. Operating segments

In relation with the takeover of Cursor S.A. and Divante Sp. z o.o. on 5 March 2015, as part of the Group structure management model adopted and considering the IFRS 8 regulations as well as the usefulness of information for the users of the financial statements, the Issuer distinguishes 3 operating segments which are subject to a detailed assessment by the governing bodies:

Retail Sale Network Management Segment

Sale Support Segment

E-business Segment

* 1. Retail Sale Network Management Segment

The retail sale network management segment comprises comprehensive services related to the sale of the Client's products and services in a network of stores and retail outlets, and in particular the creation and management of retail sale outlet networks and the sale and sale force management.

The Tell Group concentrates on the management of the mobile phone service distribution network, whereby the experience and unique competences related to sale network building may be used in other sectors on the basis on a similar distribution model.

At present, the Tell Group is the provider of these services to three largest mobile phone operators in Poland – Orange, T-Mobile and Plus.

The Group achieved its position by a gradual and consistent increase of the number of its own stores and mergers of smaller store operators. Almost twenty-year long experience and close cooperation with clients as well as constant improvement of the quality of customer service activities are features that positively distinguish the Group as a provider of this type of services.

The authorized Poland-wide representative of Orange S.A. is Tell S.A. The sale of the T-Mobile network services is ensured by Euro- Phone Sp. z o. o., and the sale of services for the PLUS network is ensured by PTI Sp. z o. o.

* 1. Sale Support Segment

All activities in this segment are provided by Cursor S.A. This segment offers activities whose purpose is to ensure an increase in the sale of clients' products and services. The basic services offered to clients under this segment comprise:

outsourcing of sales representatives,

merchandising,

product promotion services,

services related to marketing materials and packaging purchase processing.

**Outsourcing of sales representatives** is conducted in variants: as a dedicated service model (work of a single team dedicated to a single client) and as a co-shared service model (work of a single team for many clients). The sales representative outsourcing service is addressed to the entire market (modern, traditional and specialist sales). The activities are carried out on the basis of fully computerised processes and in accordance with the ISO 9001:2008 standards.

The **merchandising activity** consists in servicing the goods exposition in commercial networks by stationary teams and mobile servicing of smaller outlets. It is carried out using advanced IT tools and in accordance with the ISO 9001:2008 standards. The merchandising offer is complemented by the goods exposition and availability verification as well as consumer communication standards, all ensured by audits carried out in retail sale outlets. Their purpose is to ensure that the arrangements made between the sale outlet and the producer are observed and to obtain market information in the wide sense.

**Product promotion services** comprise activities related to a direct contact with the consumer. They concern project related to the provision to the clients of specialised teams of personnel defined as 'Client Advisers' who stimulate the sale in modern or traditional sale outlets or in specialised commercial networks - in direct contact with the consumers - by ensuring additional information about the product, allowing the clients to try product samples or realize individual orders of consumers. Such activities are reinforced by organisation of consumer programmes such as lotteries or contests.

**Consulting and optimization** related to marketing materials and packaging purchase processing. The services consist in the market analysis with regard the area ordered by the client, provision of recommendations concerning the determination of selection criteria to be followed when purchasing products, purchase cost optimization and administrative support of the process. In case marketing materials or sale support materials are ordered on foreign markets, including also the Asian market, the services comprise the analysis of the supplier's potential, verification of the quality of raw materials (standard observance, quality standard certificates, including, but not limited to SGA, STR, PCBC, PSBI), supervision over the prototype performance and product batch consistency securing.

* 1. E-business Segment

As part of this segment, services dedicated to e-commerce are provided. They comprise the areas of technology, marketing and logistics. The segment encompasses in whole the business of Divante Sp. z o.o. (area related to technologies and marketing) and in part (the section not assigned to the Sale Support Segment) the business of Cursor S.A. (logistic operations). The internal split of tasks between the above-mentioned companies is not visible for the clients.

The e-commerce services are comprehensive solutions ensuring the pursuit and growth of the Internet sale, both as regards the retail market and business customers. The provision of such services may follow the end to end model and may comprise strategic consulting on the Internet commerce, creation of business plans, e-shop platform designing and creation on the basis of various technologies, e-marketing and traffic generation, platform usability optimisation (UX – user experience) as well as the logistic support for the e-sales, including warehousing, packaging, deliveries and sale registration for tax purposes as well as handling of returns and the help line. The technologies used are, without limitation, Magento and Pimcore, and the project management is made with the aid of such modern tools as Scrum and Agile.

Logistic services for marketing and sales comprise solutions related to the management and distribution of marketing materials as well as the support of loyalty programmes and consumer promotions. Marketing materials include, but are not limited to: leaflets, posters, displays, store furniture, shop-in-shop systems as well as regular products but designed for marketing. The services rendered are to allow the optimal utilisation of marketing materials and decrease the expenses on their production and, at the same time, increase the sale and boost consumer loyalty. Consulting and optimal process management workshops, construction and provision of POSM management and ordering IT solutions integrated with the clients' systems are ensured as part of the marketing materials distribution services. Similarly, the services of warehousing, order completion for the clients' sales structures and points of sales, order distribution, marketing materials installation, if they need specialist skills, and POS materials renovation are provided. As part of the loyalty and consumer programme support, Cursor S.A. is responsible for the project strategy as well as the tactics: selection of products ad prizes, negotiations with suppliers, collection of personal data, prize personalization and communication, distribution, tax registration settlements.

Cursor S.A. manages a developed warehouse infrastructure encompassing the area of over 30,000 m2 and the capacity of 50,000 pallet places, using the WMS system (warehouse management system). The operation quality consistency is ensured by ISO 9001:2008.

**Revenues and results of operating segments:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Sale network management | Sale Support | E-business | Not assigned | Total |
| ***for the period from 01/01 to 30/06/2015*** |  |  |  |  |  |
| Revenue from external customers | 106,738 | 24,262 | 24,476 | 168 | 155,643 |
| Revenue from the sales between segments | 287 | 20 | 105 |  | 413 |
| Total income | 107,025 | 24,282 | 24,581 | 168 | 156,056 |
| Segment's operating result | 4,036 | 1,380 | 783 | -144 | 6,055 |
| Financial income |  |  |  |  | 206 |
| Financial costs (-) |  |  |  |  | -996 |
| Gross profit before tax |  |  |  |  | 5,265 |
| Income Tax |  |  |  |  | 1,207 |
| Net profit |  |  |  |  | 4,058 |
| EBIDTA | 4,955 | 1,977 | 1,069 | -144 | 7,858 |
| Amortisation and depreciation | 920 | 597 | 286 |  | 1,803 |
| ***for the period from 01/01 to 30/06/2014*** |  |  |  |  |  |
| Revenue from external customers | 121,060 |  |  | 255 | 121,315 |
| Revenue from the sales between segments |  |  |  |  |  |
| Total income | 121,060 |  |  | 255 | 121,315 |
| Segment's operating result | 4,577 |  |  |  | 4,577 |
| Financial income |  |  |  |  | 36 |
| Financial costs (-) |  |  |  |  | 635 |
| Gross profit before tax |  |  |  |  | 3,977 |
| Income Tax |  |  |  |  | 880 |
| Net profit |  |  |  |  | 3,097 |
| EBIDTA | 5,470 |  |  |  | 5,470 |
| Amortisation and depreciation | 893 |  |  |  | 893 |

It should be noted that the revenues and performance of the segments: Sale Support and E-business, concern only the period from March 2015, in relation with the acquisition on 5 March 2015 of shares in Cursor S.A. and in Divante Sp. z o.o.

**Geographical areas - revenues:**

|  |  |  |
| --- | --- | --- |
|  | 01/01 to 30/06/2015 | 01/01 to 30/06/2014 |
| Poland | 154,829 | 121,315 |
| Czech Republic | 13 |  |
| Germany | 394 |  |
| France | 28 |  |
| Lithuania | 16 |  |
| Netherlands | 193 |  |
| United Kingdom | 6 |  |
| Denmark | 11 |  |
| Switzerland | 48 |  |
| USA | 5 |  |
| Total | 155,643 | 121,315 |

1. Explanations concerning the seasonality or cyclicity of the issuer's activities in the presented period

The seasonality of sales in the mobile phone service sector (the retail sale network management segment - of companies: Tell S.A., Europhone Sp. z o.o. and PTI Sp. z o.o.) is visible mainly in the growth of the sales in the fourth quarter, especially in December. Sometimes, this natural seasonal character is modified owing to marketing activities of operators, however in the reporting period the Issuer's Management Board did not note any significant diversions from standard pattern.

The characteristic feature of the business of Cursor S.A. and Divante Sp. z o.o. (segments Sale Support and E-business) is the seasonality of sales, which is such that the first quarter of each financial year is the period decidedly different from the remaining quarters and constitutes approximately 20% of the annual sales. The second and third quarters are similar in terms of revenues and each one of them constitutes - historically - approximately 25% of the sale value. The highest sales are noted in the fourth quarter – approximately 30% of the annual sales. In the fourth quarter, there is increased demand for products in the pre-Christmas period. The intensity of promotional projects an the logistics of marketing materials and goods distributed directly to the consumers under e-commerce projects is growing. Lower sale values on the first quarter of the year result from reduced orders made by traditional commerce in the post-Christmas period. New projects, whose functional cycle spans annual periods, start with lower intensity, acquisition of IT projects to be followed is in progress. Such project will be carried out in the second, third and fourth quarter.

1. Information on the impairment of inventories to the net realisable value and reversal of impairment charge

Impairment of inventories:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **from 01/01 to 30/06/2015** | from 01/01 to 30/06/2014 | from 01/01 to 31/12/2014 |
| As at period beginning | 423 | 901 | 901 |
| Loss expensed as cost in the period | 63 |  | 13 |
| Reversal of impairments in the period (-) |  |  | -494 |
| Other changes (net exchange differences on conversion) |  |  |  |
| **At period end** | **487** | 901 | 423 |

1. Information about impairment of financial assets or other assets and on the reversal of impairment charges

Impairment of receivables and loans:

|  |  |  |  |
| --- | --- | --- | --- |
|  | from 01/01 to 30/06/2015 | from 01/01 to 30/06/2014 | from 01/01 to 31/12/2014 |
| As at period beginning | 5,619 | 5,444 | 5,444 |
| Loss expensed as cost in the period | 160 | 296 | 314 |
| Reversal of impairments carried as revenue in the period | -65 | -20 | -98 |
| Provisions used | -36 | -19 | -40 |
| Increase by business | 622 |  |  |
| At period end | 6,300 | 5,701 | 5,619 |

1. Information on the creation, increase, utilisation and write-back of provisions

The value of provisions recognised in the abbreviated consolidated financial statements and changes thereto in particular periods have been as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Provisions for long-term employee benefits | Other provisions, including provisions for: | | | | |
| Accrued holidays | Payroll costs | Other costs | Other benefits | Total |
| **for the period from 01/01 to 30/06/2015** |  |  |  |  |  |  |
| As at period beginning | 72 | 1,021 |  |  |  | 1,021 |
| Provision increase carried as expense in the period |  | 61 | 31 |  |  | 92 |
| Provision increase carried as income in the period (-) | -8 |  | -1 |  |  | -1 |
| Utilisation of provisions (-) |  |  | -28 |  |  | -28 |
| Increase in result of business combination |  | 372 |  |  |  | 372 |
| Other changes (net exchange differences on conversion) |  |  |  |  |  |  |
| Provisions as at 30/06/2015 | 64 | 1,454 | 2 |  |  | 1,456 |
| **for the period from 01/01 to 30/06/2014** |  |  |  |  |  |  |
| As at period beginning | 68 | 1,106 | 680 |  |  | 1,853 |
| Provision increase carried as expense in the period |  | 63 |  |  |  | 63 |
| Provision increase carried as income in the period (-) |  |  |  |  |  |  |
| Utilisation of provisions (-) |  |  | -428 |  |  | -428 |
| Increase in result of business combination |  |  |  |  |  |  |
| Other changes (net exchange differences on conversion) |  |  |  |  |  |  |
| Provisions as at 30/03/2014 | 68 | 1,168 | 252 |  |  | 1,488 |
| **for the period from 01/01 to 31/12/2014** |  |  |  |  |  |  |
| As at period beginning | 68 | 1,106 | 680 |  |  | 1,853 |
| Provision increase carried as expense in the period | 10 | 63 |  |  |  | 63 |
| Provision increase carried as income in the period | -5 | -147 |  |  |  | -147 |
| Provisions utilised |  |  | -680 |  |  | -680 |
| Business combination change |  |  |  |  |  |  |
| Other changes (net exchange differences on conversion) |  |  |  |  |  |  |
| Provisions as at 31/12/2014 | 72 | 1,021 | 0 |  |  | 1,021 |

1. Information about deferred tax assets and liabilities

|  |  |  |  |
| --- | --- | --- | --- |
|  | 30/06/2015 | 30/06/2014 | 31/12/2014 |
| **As at period beginning:** |  |  |  |
| Deferred income tax assets | 836 | 1,133 | 1,133 |
| Deferred income tax liabilities | 7,309 | 7,017 | 7,017 |
| **Deferred tax at period beginning** | **6,474** | **5,884** | **5,884** |
| Change in the period influencing: |  |  |  |
| Result (+/-) | -119 | -289 | -589 |
| Other comprehensive income (+/-) |  |  |  |
| **Deferred tax at period end** | **-119** | **-289** | **6,474** |
| Deferred income tax assets | 1,600 | 1,019 | 836 |
| Deferred income tax liabilities | 7,955 | 7,192 | 7,309 |
| Net deferred income tax assets - from business combination | 1,191 |  |  |
| Net deferred income tax liabilities - from business combination | 281 |  |  |

1. Business combinations

Below are presented the entities taken over by the Group in the period of the first half of 2015 and the provisionally established amounts of goodwill and profits resulting from the takeovers settled in the period:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Company | Takeover date | Percentage of capital instruments taken over together with the voting rights | Payment | | Net assets of the acquired entity (fair value) | Goodwill (+) / Profit (-) |
| acquirer | non-controlling shares |
| Cursor S.A. | 05/03/2015 | 100.00% | 17,405 |  | 8,465 | 8,941 |
| Divante Sp. z o.o. | 05/03/2015 | 51.03% | 3,216 | 1,298 | 2,650 | 1,864 |

On 5 March 2015, Tell S.A. acquired the shares in Cursor S.A. with registered office in Warsaw and shares in Divante Sp. z o.o. with registered office in Wrocław. The Companies carry out their business operations in the operating segments of Sale Support and E-business.

The payment was settled by the issue of 1,777,692 shares in Tell S.A. The fair value of shares issued by the Issuer as part of remuneration for the non-cash contribution in the form of 163,517,500 shares in Cursor S.A and of 592 shares in Divante Sp. z o.o. results from the issuer’s share rice in the amount of PLN 10.60 per share on the Warsaw Stock Exchange as published on 5 March 2015.

Costs related to the acquisition of control over Cursor Sp. z o.o. and Divante Sp. z o.o. in the amount of kPLN 233 were expensed as cost in 2014 and 2015.

The arrangements concerning the conditional remuneration were determined in the Investment Agreement made on 21 November 2014 by and between Tell Spółka Akcyjna (Issuer) and a OEX Spółka Akcyjna (Investor). The Agreement stipulated that the Investor shall guarantee (at his risk) that the results of the companies expressed as the total of EBITDA for Cursor S.A. and Divante Sp. z o.o. for 2015 should not be lower than PLN 6,300,000.00 (say: six million three hundred thousand Polish zlotys).

In case the total of EBITDA for both companies for the year 2015 is lower than PLN 6,300,000.00, then there should a an adjustment of mutual settlements of the transaction parties so that the issue price for the Investor’s share would be adjusted *pro rata* to the relation between the total of EBITDA for the financial year 2015 and the amount of PLN 6,300,000.00.

Pursuant to IFRS 3, the conditional remuneration is recognised as at the takeover day (as part of the payment in exchange for the economic entity taken over) at fair value.

The issuer made the estimates concerning the fair value of the conditional remuneration as at the date of the control takeover over the subsidiaries and decided that there should be no adjustment of the remuneration for the acquired companies by the amount of conditional remuneration.

By the date of these abbreviated interim consolidated financial statements, the process of valuation of the fair value of the assets and liabilities taken over has not been completed. These values will be finally determined within 12 months after the takeover date.

The values of provisionally identified assets and liabilities of the taken over companies recognised in the abbreviated interim consolidated financial statements are as follows:

|  |  |  |
| --- | --- | --- |
|  | Provisional fair value at the takeover date | |
| Cursor S.A. | Divante Sp. z o.o. |
| **Assets** |  |  |
| Intangible fixed assets | 2,610 | 568 |
| Tangible fixed assets | 7,106 | 625 |
| Deferred tax assets | 1,121 | 70 |
| Inventories | 2,153 | 10 |
| Receivables and loans | 25,818 | 2,617 |
| Accruals and prepayments | 4,375 | 31 |
| Fixed assets for trading |  | 160 |
| Cash | 1,031 | 629 |
| Total assets | 44,215 | 4,709 |
| **Liabilities** |  |  |
| Deferred tax liabilities | 194 | 87 |
| Loans, credits, lease | 18,905 | 579 |
| Trade liabilities | 9,834 | 693 |
| Other liabilities | 6,817 | 700 |
| Total provisions | 35,750 | 2,059 |
| Net asset fair value | 8,465 | 2,650 |
| Payment for the entity taken over | 17,405 | 3,216 |
| Net assets attributable to the non-controlling interests | 0 | 1,298 |
| Goodwill (+) / Profit (-) | 8,941 | 1,864 |

1. Goodwill

The change in the carrying amount of goodwill in periods covered by the abbreviated interim consolidated financial statements is presented in the table below:

|  |  |  |  |
| --- | --- | --- | --- |
|  | 30/06/2015 | 30/06/2014 | 31/12/2014 |
| **Gross value** |  |  |  |
| As at period beginning | 57,581 | 57,581 | 57,581 |
| Business combination | 10,804 |  |  |
| Sale of subsidiaries (-) |  |  |  |
| Net exchange differences on conversion |  |  |  |
| Other adjustments |  |  |  |
| Gross value at period end | 68,385 | 57,581 | 57,581 |
| **Impairment charges** |  |  |  |
| As at period beginning |  |  |  |
| Loss expensed as cost in the period |  |  |  |
| Net exchange differences on conversion |  |  |  |
| Other changes |  |  |  |
| Impairment loss at period end |  |  |  |
| **Goodwill at period end** | **68,385** | **57,581** | **57,581** |

The goodwill presented in the assets of the consolidated statement of financial position concerns the acquisition of the following companies:

|  |  |  |  |
| --- | --- | --- | --- |
|  | 30/06/2015 | 30/06/2014 | 31/12/2014 |
| Taurus | 1,202 | 1,202 | 1,202 |
| Havo | 20,096 | 20,096 | 20,096 |
| Euro-Phone Sp. z o.o. | 8,732 | 8,732 | 8,732 |
| Solex | 10,611 | 10,611 | 10,611 |
| PTI Sp. z o.o. | 10,061 | 10,061 | 10,061 |
| Maksimum | 6,879 | 6,879 | 6,879 |
| Cursor S.A. | 8,941 |  |  |
| Divante Sp. z o.o. | 1,864 |  |  |
| **Total goodwill** | **68,385** | **57,581** | **57,581** |

The tests for goodwill impairment are made on an annual basis (as at 31 December) and when there are indications of impairment. The tests for goodwill impairment and impairment of intangible asset impairment with unspecified useful life are made also when there are indications of possible impairment.

The Issuer’s Management Board came to the conclusion that as at 30 June 2015 there were no indications of impairment of cash generating centres of groups of cash generating centres to which the goodwill and the intangible assets of unspecified useful life are assigned.

1. Information about material transactions of acquisition and disposal of tangible fixed assets

The table below presents the acquisitions and disposals as well as impairment charges concerning tangible fixed assets:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Plants and machinery | Vehicles | Other fixed assets | In construction | Total |
| **for the period from 01/01 to 30/06/2015** |  |  |  |  |  |
| Net carrying amount as at 01/01/2015 | 1,050 | 1,173 | 2,662 | 32 | 4,917 |
| Acquisition by a business combination | 1,157 | 3,929 | 1,827 | 817 | 7,730 |
| Increase (acquisition, production, lease) | 481 | 143 | 888 | 1,050 | 2,563 |
| Sale of a subsidiary (-) |  |  |  |  |  |
| Decrease (disposal, liquidation) (-) | -7 | -39 | -61 | -878 | -984 |
| Revaluation to fair value (+/-) |  |  |  |  |  |
| Depreciation and amortisation (-) | -351 | -756 | -381 |  | -1,487 |
| Impairment loss (-) |  |  |  |  |  |
| Reversal of impairment charges |  |  |  |  |  |
| Net exchange differences on conversion (+/-) |  |  |  |  |  |
| Net carrying amount as at 30/06/2015 | 2,330 | 4,451 | 4,935 | 1,022 | 12,739 |
| **for the period from 01/01 to 30/06/2014** |  |  |  |  |  |
| Net carrying amount as at 01/01/2014 | 1,033 | 1,059 | 2,276 | 33 | 4,400 |
| Acquisition by a business combination |  |  |  |  |  |
| Increase (acquisition, production, lease) | 257 | 414 | 252 | 35 | 957 |
| Sale of a subsidiary (-) |  |  |  |  |  |
| Decrease (disposal, liquidation) (-) | -8 | -11 | -1 | -45 | -64 |
| Revaluation to fair value (+/-) |  |  |  |  |  |
| Depreciation and amortisation (-) | -224 | -216 | -338 |  | -778 |
| Impairment loss (-) |  |  |  |  |  |
| Reversal of impairment charges |  |  |  |  |  |
| Net exchange differences on conversion (+/-) |  |  |  |  |  |
| Net carrying amount as at 30/06/2014 | 1,058 | 1,245 | 2,189 | 22 | 4,515 |
| **for the period from 01/01 to 31/12/2014** |  |  |  |  |  |
| Net carrying amount as at 01/01/2014 | 1,033 | 1,059 | 2,276 | 33 | 4,400 |
| Acquisition by a business combination |  |  |  |  |  |
| Increase (acquisition, production, lease) | 476 | 628 | 1,124 | 821 | 3,049 |
| Sale of a subsidiary (-) |  |  |  |  |  |
| Decrease (disposal, liquidation) (-) | -18 | -116 | -40 | -821 | -995 |
| Revaluation to fair value (+/-) |  |  |  |  |  |
| Depreciation and amortisation (-) | -441 | -398 | -698 |  | -1,537 |
| Impairment loss (-) |  |  |  |  |  |
| Reversal of impairment charges |  |  |  |  |  |
| Net exchange differences on conversion (+/-) |  |  |  |  |  |
| Net carrying amount as at 31/12/2014 | 1,050 | 1,173 | 2,662 | 32 | 4,917 |

The table below presents the acquisitions and disposals as well as impairment charges concerning intangible assets:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Trademarks | Programmes, licences | Other | In construction | Total |
| **for the period from 01/01 to 30/06/2015** |  |  |  |  |  |
| Net carrying amount as at 01/01/2015 |  | 259 | 334 |  | 593 |
| Acquisition by a business combination |  | 557 | 887 | 1,735 | 3,179 |
| Increase (acquisition, production, lease) | 300 | 161 | 2,023 | 81 | 2,565 |
| Sale of a subsidiary (-) |  |  |  |  |  |
| Decrease (disposal, liquidation) (-) |  |  | -3 |  | -3 |
| Revaluation to fair value (+/-) |  |  |  |  |  |
| Depreciation and amortisation (-) | -8 | -149 | -159 |  | -316 |
| Impairment loss (-) |  |  |  |  |  |
| Reversal of impairment charges |  |  |  |  |  |
| Net exchange differences on conversion (+/-) |  |  |  |  |  |
| Net carrying amount as at 30/06/2015 | 293 | 828 | 3,082 | 1,816 | 6,018 |
| **for the period from 01/01 to 30/06/2014** |  |  |  |  |  |
| Net carrying amount as at 01/01/2014 |  | 392 | 387 |  | 779 |
| Acquisition by a business combination |  |  |  |  |  |
| Increase (acquisition, production, lease) |  | 6 |  |  | 6 |
| Sale of a subsidiary (-) |  |  |  |  |  |
| Decrease (disposal, liquidation) (-) |  |  |  |  |  |
| Revaluation to fair value (+/-) |  |  |  |  |  |
| Depreciation and amortisation (-) |  | -79 | -65 |  | -144 |
| Impairment loss (-) |  |  |  |  |  |
| Reversal of impairment charges |  |  |  |  |  |
| Net exchange differences on conversion (+/-) |  |  |  |  |  |
| Net carrying amount as at 30/06/2014 |  | 319 | 321 |  | 641 |
| **for the period from 01/01 to 31/12/2014** |  |  |  |  |  |
| Net carrying amount as at 01/01/2014 |  | 392 | 387 |  | 779 |
| Acquisition by a business combination |  |  |  |  |  |
| Increase (acquisition, production, lease) |  | 24 | 80 |  | 104 |
| Sale of a subsidiary (-) |  |  |  |  |  |
| Decrease (disposal, liquidation) (-) |  |  |  |  |  |
| Revaluation to fair value (+/-) |  |  |  |  |  |
| Depreciation and amortisation (-) |  | -159 | -133 |  | -290 |
| Impairment loss (-) |  |  |  |  |  |
| Reversal of impairment charges |  |  |  |  |  |
| Net exchange differences on conversion (+/-) |  |  |  |  |  |
| Net carrying amount as at 31/12/2014 |  | 259 | 334 |  | 593 |

1. Information about material liabilities related to the purchase of tangible fixed assets

The Group does not have any material liabilities related to the purchase of tangible fixed assets.

1. Information about material settlements resulting from cases vindicated in court

Not applicable.

1. Indication of adjustments of errors of previous periods

In the period covered by these interim financial statements, there occurred no events that were not but should have been recognised in the accounting books of the reporting period. Additionally, these financial statements does not comprise any significant events concerning the previous years.

1. Information about changes in the economic situation and business conditions which have material impact on the fair value of financial assets and financial liabilities of the company

There were no changes in the economic situation and business conditions which would have any impact on the fair value of financial assets and financial liabilities.

1. Information about a failure to repay a loan or credit or about a violation of material provisions of a loan or credit agreement

Not applicable.

1. Information about the execution by the company or its subsidiary of a single or more transactions with related parties, if such transactions, taken separately or together, are material and were made on conditions other than at arm's length

All transactions between the Group companies are at arm's length transactions.

1. In case of financial instruments carried at fair value - information about a change of the method of its determination

The way of determination of fair value of financial instruments did not change.

1. Information about a change in the classification of financial assets in consequence of a change of the purpose of utilisation of such assets

There were no reclassifications of financial assets which would lead to a change in the measurement of these assets carried at fair value, at cost or at amortised cost.

1. Information on the issue, redemption and repayment of non-share and equity securities

In the reporting half year, there were no issues, redemption or repayment of non-share and equity securities, with the exception of the issue by the Issuer and subscription by OEX S.A. 5 March 2015 of 1,777,692 shares in the issuer in accordance with the resolution of the General Meeting of Shareholders No. 3/2014 dated 18 December 2014. The registration of the above-mentioned capital increase by a registration court in Poznań took place on 23/04/2015.

1. Information on the dividends paid (or declared), in total and as divided per share, with a breakdown into ordinary and preferential shares

By the date of these statements, no dividend payment was made or declared.

1. Indication of events occurring after the date of these abbreviated interim consolidated financial statement which were not included in the statements and which could significantly influence the future financial results of the issuer;

In the period covered by these interim consolidated financial statements, there occurred no events that were not but should have been recognised in the accounting books of the reporting period. Additionally, these abbreviated interim consolidated financial statements do not comprise any significant events concerning the previous years.

1. Information on changes in contingent liabilities and contingent assets that occurred in the period after the end of the last financial year;

The value of contingent liabilities as at the end of particular periods (including provisions concerning related parties) is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | 30/06/2015 | 30/06/2014 | 31/12/2014 |
| To related parties not subject to consolidation: |  |  |  |
| Liability payment guarantee |  |  |  |
| Guarantees originated |  |  |  |
| Guarantees originated in relation with the building services contracts |  |  |  |
| Disputed cases and cases in court |  |  |  |
| Other Contingent Liabilities |  |  |  |
| **Total related parties not subject to consolidation** |  |  |  |
| To associated parties: |  |  |  |
| Liability payment guarantee |  |  |  |
| Guarantees originated |  |  |  |
| Guarantees originated in relation with the building services contracts |  |  |  |
| Disputed cases and cases in court |  |  |  |
| Other Contingent Liabilities |  |  |  |
| **Total associates** |  |  |  |
| To other parties: |  |  |  |
| Liability payment guarantee | 32,510 | 34,105 | 32,285 |
| Guarantees originated |  |  |  |
| Guarantees originated in relation with the building services contracts |  |  |  |
| Disputed cases and cases in court |  |  |  |
| Disputed cases and cases in court related to the IRS |  |  |  |
| Other Contingent Liabilities |  |  |  |
| **Total other parties** | **32,510** | **34,105** | **32,285** |
| **Total contingent liabilities** | **32,510** | **34,105** | **32,285** |

1. Information about material changes in estimates

No material changes in estimates.

1. Other significant changes in assets, liabilities, revenue and costs

In the reporting period, there were no significant changes in assets, liabilities, revenue and costs.

SELECTED INTERIM FINANCIAL DATA OF TELL S.A.

Basic items of the balance sheet, income statement and the cash flow statement as converted into EUR are presented in the table below:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | From 01/01 to 30/06/2015 | From 01/01 to 30/06/2014 | From 01/01 to 31/12/2014 | From 01/01 to 30/06/2015 | From 01/01 to 30/06/2014 | From 01/01 to 31/12/2014 |
|  | k PLN | | | k EUR | | |
| ***Income statement*** |  |  |  |  |  |  |
| Sale revenues | 46,471 | 45,425 | 97,341 | 11,241 | 10,871 | 23,236 |
| Operating profit (loss) | 2,396 | 2,776 | 6,963 | 580 | 664 | 1,662 |
| Profit (loss) before taxation | 3,982 | 3,957 | 6,889 | 963 | 947 | 1,645 |
| Net profit (loss) | 3,569 | 3,355 | 5,533 | 863 | 803 | 1,321 |
| Net profit (loss) - share of the shareholders of the Parent Company | 3,569 | 3,355 | 5,533 | 863 | 803 | 1,321 |
| Average weighted number of shares (items) | 5,788 531 | 5,110 847 | 5,110 847 | 5,788 531 | 5,110 847 | 5,110 847 |
| Earnings per share (PLN; EUR) | 0.62 | 0.66 | 1.08 | 0.15 | 0.16 | 0.26 |
| Diluted earnings per share (PLN; EUR) | 0.62 | 0.66 | 1.08 | 0.15 | 0.16 | 0.26 |
| Average exchange rate PLN / EUR in the period | x | x | x | 4.1341 | 4.1784 | 4.1892 |
|  |  |  |  |  |  |  |
| ***Cash Flow Statement*** | From 01/01 to 30/06/2015 | From 01/01 to 30/06/2014 | From 01/01 to 31/12/2014 | From 01/01 to 30/06/2015 | From 01/01 to 30/06/2014 | From 01/01 to 31/12/2014 |
| Net cash flow from operating activity | 3,415 | 2,604 | 2,203 | 826 | 623 | 526 |
| Net cash flow from investing activity | -1,565 | 336 | 783 | -379 | 80 | 187 |
| Net cash flow from financial activity | -1,892 | -1,749 | -3,009 | -458 | -419 | -718 |
| Net change in cash and cash equivalents | -43 | 1,191 | -23 | -10 | 285 | -6 |
| Average exchange rate PLN / EUR in the period | x | x | x | 4.1341 | 4.1784 | 4.1892 |
|  |  |  |  |  |  |  |
|  | **30/06/2015** | 30/06/2014 | **31/12/2014** | **30/06/2015** | 30/06/2014 | **31/12/2014** |
|  | k PLN | | | k EUR | | |
| ***Balance sheet*** |  |  |  |  |  |  |
| Assets | 109,169 | 89,583 | 92,426 | 26,027 | 21,530 | 21,685 |
| Long-term liabilities | 4,097 | 4,087 | 4,097 | 977 | 982 | 961 |
| Short-term liabilities | 25,089 | 26,772 | 32,537 | 5,982 | 6,434 | 7,634 |
| Shareholder’s equity | 79,983 | 58,725 | 55,792 | 19,069 | 14,113 | 13,090 |
| Equity - share of the parent company shareholders | 79,983 | 58,725 | 55,792 | 19,069 | 14,113 | 13,090 |
| PLN / EUR exchange rate at period end | x | x | x | 4.1944 | 4.1609 | 4.2623 |

In the periods covered by these interim financial statements, the following average exchange rates of PLN and EUR published by the National Bank of Poland were used:

* the exchange rate in force on the last day of the reporting period: 30/06/2015 4.1944 PLN/EUR, 30/06/2014 4.1609 PLN/EUR, 31/12/2014 4.2623 PLN/EUR,
* the average exchange rate in the period, calculated as an arithmetical average of exchange rated in force on the last day of each month in the given period: 01/01 - 30/06/2015 4.1341 PLN/EUR, 01/01 - 30/06/2014 4.1784 PLN/EUR, 01/01 - 31/12/2014 4.1892 PLN/EUR,
* the highest and the lowest exchange rate in force in each period: 01/01 - 30/06/2015 4.2081 and 4.0337 PLN/EUR, 01/01 - 30/06/2014 4.2368 and 4.1420 PLN/EUR, 01/01 - 31/12/2014 4.2623 and 4.1420 PLN/EUR.

SEPARATE STATEMENT OF FINANCIAL POSITION OF TELL S.A.

|  |  |  |  |
| --- | --- | --- | --- |
| **ASSETS** | 30/06/2015 | 30/06/2014 | 31/12/2014 |
| *Fixed assets* |  |  |  |
| Goodwill | 21,298 | 21,298 | 21,298 |
| Intangible fixed assets | 656 | 345 | 343 |
| Tangible fixed assets | 4,185 | 3,147 | 3,672 |
| Investment properties |  |  |  |
| Interests in subsidiaries | 44,970 | 25,636 | 24,349 |
| Interests in associates |  |  |  |
| Receivables | 412 | 353 | 348 |
| Financial derivatives |  |  |  |
| Other long-term financial assets |  |  |  |
| Long-term prepayments |  | 65 |  |
| Deferred income tax assets | 310 | 465 | 314 |
| Total fixed assets | 71,832 | 51,308 | 50,325 |
|  |  |  |  |
| Current assets |  |  |  |
| Inventories | 8,884 | 6,316 | 10,087 |
| Receivables from building services contracts |  |  |  |
| Trade Receivables and Other Receivables | 21,162 | 23,080 | 25,281 |
| Current tax assets |  |  |  |
| Loans | 6,742 | 6,982 | 6,282 |
| Financial derivatives |  |  |  |
| Other short-term financial assets |  |  |  |
| Short-term prepayments | 389 | 479 | 248 |
| Cash and cash equivalents | 160 | 1,417 | 203 |
| Fixed assets classified as held for sale |  |  |  |
| Total current assets | 37,337 | 38,275 | 42,101 |
| **Total assets** | **109,169** | **89,583** | **92,426** |

|  |  |  |  |
| --- | --- | --- | --- |
| **EQUITY AND LIABILITIES** | 30/06/2015 | 30/06/2014 | 31/12/2014 |
| *Shareholder’s equity* |  |  |  |
| Share capital | 1,378 | 1,022 | 1,022 |
| Treasury shares (-) |  |  |  |
| Share premium | 45,129 | 24,862 | 24,863 |
| Other Capitals | 1,459 | 1,459 | 1,459 |
| Retained profits: |  |  |  |
| - retained profit (loss) | 28,447 | 28,025 | 22,914 |
| - net profit (loss) | 3,569 | 3,355 | 5,533 |
| Shareholder’s equity | 79,983 | 58,725 | 55,792 |
| *Liabilities* |  |  |  |
| *Long-term liabilities* |  |  |  |
| Loans, credits, other debt instruments |  |  |  |
| Financial lease |  |  |  |
| Financial derivatives |  |  |  |
| Other liabilities |  |  |  |
| Deferred income tax liabilities | 4,047 | 4,047 | 4,047 |
| Employee benefit liabilities | 50 | 40 | 50 |
| Other long-term provisions |  |  |  |
| Long-term prepayments |  |  |  |
| Long-term liabilities | 4,097 | 4,087 | 4,097 |
|  |  |  |  |
| *Short-term liabilities* |  |  |  |
| Trade liabilities and other liabilities | 20,316 | 24,581 | 25,659 |
| Current tax liabilities | 121 | 299 | 578 |
| Loans, credits, other debt instruments | 2,234 |  | 4,036 |
| Financial lease |  |  |  |
| Financial derivatives |  |  |  |
| Employee benefit liabilities | 2,418 | 1,891 | 2,264 |
| Other short-term provisions |  |  |  |
| Short-term prepayments |  |  |  |
| Liabilities related to fixed assets held for sale |  |  |  |
| Short-term liabilities | 25,089 | 26,772 | 32,537 |
| Total provisions | 29,186 | 30,859 | 36,634 |
| **Total equity and liabilities** | **109,169** | **89,583** | **92,426** |

SEPARATE STATEMENT OF PROFIT OR LOSS OF TELL S.A.

|  |  |  |  |
| --- | --- | --- | --- |
|  | from 01/01 to 30/06/2015 | from 01/01 to 30/06/2014 | from 01/01 to 31/12/2014 |
| *Continued activities* |  |  |  |
| Sale revenues | 46,471 | 45,425 | 97,341 |
| Revenues from the sale of products |  |  |  |
| Revenue from the sale of services | 29,125 | 29,779 | 60,515 |
| Revenue from the sale of goods and materials | 17,346 | 15,646 | 36,826 |
| Sale costs | 39,282 | 37,543 | 81,084 |
| Costs of products sold |  |  |  |
| Costs of services sold | 22,059 | 22,171 | 44,923 |
| Cost of goods and materials sold | 17,223 | 15,372 | 36,161 |
| **Gross profit (loss) on sales** | **7,189** | **7,882** | **16,257** |
| Sale costs | 1,817 | 1,968 | 3,875 |
| Administration costs | 2,988 | 2,795 | 5,583 |
| Other operating income | 211 | 24 | 928 |
| Other operating expense | 199 | 367 | 764 |
| Profit (loss) on the sale of subsidiaries |  |  |  |
| **Operating profit (loss)** | **2,396** | **2,776** | **6,963** |
| Financial income | 2,261 | 1,584 | 2,469 |
| Financial costs | 675 | 404 | 2,543 |
| Share in the profit (loss) of entities measured using the equity method (+/-) |  |  |  |
| **Profit (loss) before taxation** | **3,982** | **3,957** | **6,889** |
| Income Tax | 413 | 601 | 1,356 |
| Net profit (loss) on continued activities | 3,569 | 3,355 | 5,533 |
| *Discontinued operations* |  |  |  |
| Net profit (loss) on discontinued operations |  |  |  |
| **Net profit (loss)** | **3,569** | **3,355** | **5,533** |

**NET PROFIT (LOSS) PER ORDINARY SHARE (PLN)**

|  |  |  |  |
| --- | --- | --- | --- |
|  | from 01/01 to 30/06/2015 | from 01/01 to 30/06/2014 | from 01/01 to 31/12/2014 |
| *on continued operations* |  |  |  |
| - basic | 0.62 | 0.66 | 1.08 |
| - diluted | 0.62 | 0.66 | 1.08 |
| *on continued and discontinued operations* |  |  |  |
| - basic | 0.62 | 0.66 | 1.8 |
| - diluted | 0.62 | 0.66 | 1.08 |

CHANGES IN THE PRESENTATION OF DATA IN THE STATEMENT OF PROFIT OR LOSS OF TELL S.A.

By virtue of decision of the Issuer's Management Board, new principles concerning the aggregation of own costs of services sold and the sale costs were implemented. The change does not influence the financial result of the adjusted period but will allow a better understanding of the financial statements, in particular in the context of the takeover of Cursor S.A. and Divante Sp. z o.o. (table below).

Separate financial statements of Tell S.A. for the period from 01/01 to 30/06/2014 before and after adjustment:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **from 01/01 to 30/06/2014 before adjustment** | **Adjustment** | **from 01/01 to 30/06/2014  after adjustment** |
| **Sale revenues** | **45,425** |  | **45,425** |
| Revenue from the sale of services | 29,779 |  | 29,779 |
| Revenue from the sale of goods and materials | 15,646 |  | 15,646 |
| **Sale costs** | **25,434** | **12,109** | **37,543** |
| Costs of services sold | 10,062 | 12,109 | 22,171 |
| Cost of goods and materials sold | 15,372 |  | 15,372 |
| **Gross profit (loss) on sales** | **19,991** | **-12,109** | **7,882** |
| Sale costs | 14,077 | -12,109 | 1,968 |
| Administration costs | 2,795 |  | 2,795 |
| Other operating income | 24 |  | 24 |
| Other operating expense | 367 |  | 367 |
| **Operating profit (loss)** | **2,776** | **0** | **2,776** |

Separate financial statements of Tell S.A. for the period from 01/01 to 31/12/2014 before and after adjustment:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **from 01/01 to 31/12/2014 before adjustment** | **Adjustment** | **from 01/01 to 31/12/2014  after adjustment** |
| **Sale revenues** | **97,341** |  | **97,341** |
| Revenue from the sale of services | 60,515 |  | 60,515 |
| Revenue from the sale of goods and materials | 36,826 |  | 36,826 |
| **Sale costs** | **56,517** | **24,567** | **81,084** |
| Costs of services sold | 20,356 | 24,567 | 44,923 |
| Cost of goods and materials sold | 36,161 |  | 36,161 |
| **Gross profit (loss) on sales** | **40,824** | **-24,567** | **16,257** |
| Sale costs | 28,442 | -24,567 | 3,875 |
| Administration costs | 5,583 |  | 5,583 |
| Other operating income | 928 |  | 928 |
| Other operating expense | 764 |  | 764 |
| **Operating profit (loss)** | **6,963** | **0** | **6,963** |

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

|  |  |  |  |
| --- | --- | --- | --- |
|  | from 01/01 to 30/06/2015 | from 01/01 to 30/06/2014 | from 01/01 to 31/12/2014 |
| Net profit (loss) | 3,569 | 3,355 | 5,533 |
| *Other comprehensive income* |  |  |  |
| *Items not carried as financial profit or loss* |  |  |  |
| Revaluation of tangible assets |  |  |  |
| Income tax referred to items not carried as financial profit or loss |  |  |  |
| *Items carried as financial profit or loss* |  |  |  |
| Available-for-sale financial assets: |  |  |  |
| - profit (loss) recognised in the period as other comprehensive income |  |  |  |
| - recognised as profit or loss |  |  |  |
| Cash flow hedging instruments: |  |  |  |
| - profit (loss) recognised in the period as other comprehensive income |  |  |  |
| - recognised as profit or loss |  |  |  |
| - amounts recognised in the initial value of the hedged items |  |  |  |
| Exchange differences on the measurement of foreign operations |  |  |  |
| Exchange differences transferred to the financial result - sale of foreign operations |  |  |  |
| Share in the other comprehensive income of entities measured using the equity method |  |  |  |
| Income tax referred to items carried as financial profit or loss |  |  |  |
| Other comprehensive income after taxation |  |  |  |
| Comprehensive income | 3,569 | 3,355 | 5,533 |

SEPARATE STATEMENT OF CHANGES IN EQUITY OF TELL S.A.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Equity - share of the parent company shareholders | | | | | |
| Share capital | Treasury shares | Share premium | Other capitals | Retained profits | Total |
| **As at 01/01/2015** | **1,022** |  | **24,863** | **1,459** | **28,447** | **55,792** |
| Changes in accounting policies |  |  |  |  |  |  |
| Adjustment of fundamental errors |  |  |  |  |  |  |
| **Balance after changes** | **1,022** |  | **24,863** | **1,459** | **28,447** | **55,792** |
| **Changes in equity in the period from 01/01 to 30/06/2015** | | | | | | |
| Purchase of shares |  |  |  |  |  |  |
| Issue of shares | 336 |  | 20,266 |  |  | 20,621 |
| Option measurement (share-based payment programme) |  |  |  |  |  |  |
| Changes in the group structure (transactions with non-controlling parties) |  |  |  |  |  |  |
| Dividends |  |  |  |  |  |  |
| Financial result recognised as equity |  |  |  |  |  |  |
| Total transactions with shareholders | 336 |  | 20,266 |  |  | 20,621 |
| Net profit for the period from 01/01 to 30/06/2015 |  |  |  |  | 3,569 | 3,569 |
| Other comprehensive income after taxation in the period from 01/01 to 30/06/2015 |  |  |  |  |  |  |
| Total comprehensive income |  |  |  |  | 3,569 | 3,569 |
| Transfer to retained profits (sale of revalued fixed assets) |  |  |  |  |  |  |
| **As at 30/06/2015** | **1,378** |  | **45,129** | **1,459** | **32,017** | **79,983** |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Equity - share of the parent company shareholders | | | | | |
| Share capital | Treasury shares | Share premium | Other capitals | Retained profits | Total |
| **As at 01/01/2014** | **1,022** |  | **24,862** | **1,459** | **28,025** | **55,369** |
| Changes in accounting policies |  |  |  |  |  |  |
| Adjustment of fundamental errors |  |  |  |  |  |  |
| **Balance after changes** | **1,022** |  | **24,862** | **1,459** | **28,025** | **55,369** |
| **Changes in equity in the period from 01/01 to 30/06/2014** | | | | | | |
| Purchase of shares |  |  |  |  |  |  |
| Issue of shares in relation with the option exercise (share-based payment programme) |  |  |  |  |  |  |
| Option measurement (share-based payment programme) |  |  |  |  |  |  |
| Changes in the group structure (transactions with non-controlling parties) |  |  |  |  |  |  |
| Dividends |  |  |  |  |  |  |
| Financial result recognised as equity |  |  |  |  |  |  |
| Total transactions with shareholders |  |  |  |  |  |  |
| Net profit for the period from 01/01 to 30/06/2014 |  |  |  |  | 3,355 | 3,355 |
| Other comprehensive income after taxation in the period from 01/01 to 30/06/2014 |  |  |  |  |  |  |
| Total comprehensive income |  |  |  |  | 3,355 | 3,355 |
| Transfer to retained profits (sale of revalued fixed assets) |  |  |  |  |  |  |
| **As at 30/06/2014** | **1,022** |  | **24,862** | **1,459** | **31,380** | **58,725** |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Equity - share of the company shareholders | | | | | |
| Share capital | Treasury shares | Share premium | Other capitals | Retained profits | Total |
| **As at 01/01/2014** | **1,022** |  | **24,863** | **1,459** | **28,025** | **55,369** |
| Changes in accounting policies |  |  |  |  |  |  |
| Adjustment of fundamental errors |  |  |  |  |  |  |
| **Balance after changes** | **1,022** |  | **24,863** | **1,459** | **28,025** | **55,369** |
| **Changes in equity in the period from 01/01 to 31/12/2014** | | | | | | |
| Purchase of shares |  |  |  |  |  |  |
| Redemption of shares |  |  |  |  |  |  |
| Option measurement (share-based payment programme) |  |  |  |  |  |  |
| Changes in the Company's structure (transactions with non-controlling parties) |  |  |  |  |  |  |
| Dividends |  |  |  |  | -5,111 | -5,111 |
| Financial result recognised as equity |  |  |  |  |  |  |
| Total transactions with shareholders |  |  |  |  | - 5,111 | -5,111 |
| Net profit for the period from 01/01 to 31/12/2014 |  |  |  |  | 5,533 | 5,533 |
| Other comprehensive income after taxation in the period from 01/01 to 31/12/2014 |  |  |  |  |  |  |
| Total comprehensive income |  |  |  |  | 5,533 | 5,533 |
| Transfer to retained profits (sale of revalued fixed assets) |  |  |  |  |  |  |
| **As at 31/12/2014** | **1,022** |  | **24,863** | **1,459** | **28,447** | **55,792** |

SEPARATE CASH FLOW STATEMENT OF TELL S.A.

|  |  |  |  |
| --- | --- | --- | --- |
|  | from 01/01 to 30/06/2015 | from 01/01 to 30/06/2014 | from 01/01 to 31/12/2014 |
| **Cash flow from operating activity** | | | |
| Profit (loss) before taxation | 3,982 | 3,957 | 6,889 |
| *Adjustments:* |  |  |  |
| Depreciation of tangible fixed assets | 528 | 497 | 1,032 |
| Change in the fair value of investment properties | 96 | 79 | 160 |
| Change in the fair value of financial assets (liabilities) measured at fair value through profit or loss |  |  |  |
| Cash flow hedging instruments transferred from equity |  |  |  |
| Impairment loss on financial assets |  |  |  |
| Impairment loss on financial assets |  |  | 1,287 |
| Profit (loss) on the sale of non-financial fixed assets | 37 | -1 | -2 |
| Exchange difference gains/losses |  |  |  |
| Interest expense |  |  |  |
| Interest and dividend income | 90 | 96 | 291 |
| Cost of share-based payments (incentive programmes) | -2,261 | -1,584 | -2,469 |
| Share in the profit (loss) of associate companies |  |  |  |
| Other adjustments |  |  |  |
| Total adjustments | -1,510 | -913 | 299 |
| Change in inventories | 1,203 | 1,245 | -2,525 |
| Change in receivables | 5,934 | 2,570 | 374 |
| Change in liabilities | -5,430 | -1,835 | -72 |
| Change in provisions and prepayments | -141 | -620 | -638 |
| Change in building contracts |  |  |  |
| Changes in working capital | 1,567 | 1,360 | -2,861 |
| Inflows (outflows) from the settlement of derivatives |  |  |  |
| Interest paid on operating activities |  |  |  |
| Taxes paid | -625 | -1,800 | -2,124 |
| **Net cash flow from operating activity** | 3,415 | 2,604 | 2,203 |

|  |  |  |  |
| --- | --- | --- | --- |
|  | from 01/01 to 30/06/2015 | from 01/01 to 30/06/2014 | from 01/01 to 31/12/2014 |
| **Cash flow from investing activity** | | | |
| Expenses to purchase fixed assets | -1,534 | -870 | -2,066 |
| Inflows from the sale of fixed assets | 47 | 22 | 78 |
| Expenses to purchase investment properties |  |  |  |
| Inflows from the sale of investment properties |  |  |  |
| Net expenses to purchase subsidiaries |  |  |  |
| Net inflows from the sale of subsidiaries |  |  |  |
| Received repayments of loans granted |  | 4,150 | 8,350 |
| Loans granted | -460 | -4,550 | -8,050 |
| Expenses to purchase other financial assets |  |  |  |
| Inflows from the sale of other financial assets |  |  |  |
| Inflows from government subsidies received |  |  |  |
| Interest income | 228 | 307 | 655 |
| Dividend income | 153 | 1,278 | 1,814 |
| Net cash flow from investing activity | -1,565 | 336 | 783 |
| **Cash flow from financial activity** | | | |
| Net inflows from the issue of shares |  |  |  |
| Purchase of treasury shares |  |  |  |
| Transactions with non-controlling parties, with no loss of control |  |  |  |
| Inflows from debt securities in issue |  |  |  |
| Redemption of debt securities |  |  |  |
| Inflows from loans and credits contracted |  |  | 2,383 |
| Repayment of loans and advances | -1,802 | -1,653 |  |
| Repayment of financial lease liabilities |  |  |  |
| Interest paid | -90 | -96 | -291 |
| Dividends paid |  |  | -5,100 |
| Net cash flow from financial activity | -1,892 | -1,749 | -3,009 |
| Net change in cash and cash equivalents | -43 | 1,191 | -23 |
| Cash and cash equivalents at period beginning | 203 | 226 | 226 |
| Exchange differences |  |  |  |
| Cash and cash equivalents at period end | 160 | 1,417 | 203 |

SUPPLEMENTARY NOTES TO THE ABBREVIATED INTERIM SEPARATE FINANCIAL STATEMENTS OF TELL S.A.

1. Declaration of the Management Board of the Issuer

Pursuant to the regulation of the Minister of Finance of 19 February 2009 on ongoing and periodical information to be given by issuers of securities, the Management Board of the Issuer hereby states and declares that, to the best of its knowledge, these interim financial statements and comparable data have been prepared in accordance with the accounting policies binding on the Company and they present the economic and financial situation of the Company as well as its financial result in a true, reliable and fair manner and that the half-yearly report on the activities of the issuer present a true picture of the development, achievement and situation of the issuer, including a description of basic risks and threats.

The Management Board hereby declares that the entity authorised to audit the financial statements that audited the interim separate financial statements has been appointed in accordance with the legal regulations and that this entity as well as the chartered auditors in charge of the audit, meet the requirements allowing them to issue an impartial and independent report on the audit as per the applicable domestic laws and professional standards.

In accordance with the corporate governance riles adopted by the Management Board, the chartered auditor was appointed by the Supervisory Board by virtue of the resolution of 03 June 2015 on the appointment of a chartered auditor. The Supervisory Board made the above appointment so as to guarantee full independence and objectivity of the appointment process as well as the performance of his duties by the chartered auditor.

1. Information on the impairment of inventories to the net realisable value and reversal of impairment charge

Impairment of inventories:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **from 01/01 to 30/06/2015** | from 01/01 to 30/06/2014 | from 01/01 to 31/12/2014 |
| As at period beginning | 326 | 820 | 820 |
| Loss expensed as cost in the period |  |  |  |
| Reversal of impairments in the period (-) |  |  | -494 |
| Other changes (net exchange differences on conversion) |  |  |  |
| **At period end** | **326** | 820 | 326 |

1. Information about impairment of financial assets or other assets and on the reversal of impairment charges

Impairment of receivables and loans:

|  |  |  |  |
| --- | --- | --- | --- |
|  | from 01/01 to 30/06/2015 | from 01/01 to 30/06/2014 | from 01/01 to 31/12/2014 |
| As at period beginning | 4,089 | 3,907 | 3,907 |
| Loss expensed as cost in the period | 4 | 264 | 282 |
| Reversal of impairments carried as revenue in the period |  |  | -24 |
| Provisions used |  |  | -79 |
| Increase by business |  |  |  |
| **At period end** | **4,093** | 4,171 | 4,089 |

1. Information on the creation, increase, utilisation and write-back of provisions

The value of provisions recognised in the abbreviated interim financial statements and changes thereto in particular periods have been as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Provisions for long-term employee benefits | Other provisions, including provisions for: | | | | |
| Accrued holidays | Payroll costs | Other costs | Other benefits | Total |
| **for the period from 01/01 to 30/06/2015** |  |  |  |  |  |  |
| As at period beginning | 50 | 588 |  |  |  | 588 |
| Provision increase carried as expense in the period |  |  |  |  |  |  |
| Provision increase carried as income in the period (-) |  |  |  |  |  |  |
| Utilisation of provisions (-) |  |  |  |  |  |  |
| Increase in result of business combination |  |  |  |  |  |  |
| Other changes (net exchange differences on conversion) |  |  |  |  |  |  |
| **Provisions as at 30/06/2015** | **50** | **588** |  |  |  | **588** |
| **for the period from 01/01 to 30/06/2014** |  |  |  |  |  |  |
| As at period beginning | 40 | 679 | 660 |  |  | 1,339 |
| Provision increase carried as expense in the period |  |  |  |  |  |  |
| Provision increase carried as income in the period (-) |  |  | -428 |  |  | -428 |
| Utilisation of provisions (-) |  |  |  |  |  |  |
| Increase in result of business combination |  |  |  |  |  |  |
| Other changes (net exchange differences on conversion) |  |  |  |  |  |  |
| Provisions as at 30/03/2014 | 40 | 679 | 232 |  |  | 912 |
| **for the period from 01/01 to 31/12/2014** |  |  |  |  |  |  |
| As at period beginning | 40 | 679 | 660 |  |  | 1,339 |
| Provision increase carried as expense in the period | 10 |  |  |  |  |  |
| Provision increase carried as income in the period |  | -92 | -660 |  |  | -752 |
| Provisions utilised |  |  |  |  |  |  |
| Business combination change |  |  |  |  |  |  |
| Other changes (net exchange differences on conversion) |  |  |  |  |  |  |
| Provisions as at 31/12/2014 | 50 | 588 | 0 |  |  | 588 |

1. Information about deferred tax assets and liabilities

|  |  |  |  |
| --- | --- | --- | --- |
|  | 30/06/2015 | 30/06/2014 | 31/12/2014 |
| **As at period beginning:** |  |  |  |
| Deferred income tax assets | 314 | 537 | 537 |
| Deferred income tax liabilities | 4,047 | 4,047 | 4,047 |
| **Deferred tax at period beginning** |  |  |  |
| Change in the period influencing: |  |  |  |
| Result (+/-) | -4 | -73 | -223 |
| Other comprehensive income (+/-) |  |  |  |
| **Deferred tax at period end** |  |  |  |
| Deferred income tax assets | 310 | 353 | 314 |
| Deferred income tax liabilities | 4,047 | 4,047 | 4,047 |

1. Information about material transactions of acquisition and disposal of tangible fixed assets

The table below presents the acquisitions and disposals as well as impairment charges concerning tangible fixed assets:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Plants and machinery | Vehicles | Other fixed assets | In construction | Total |
| **for the period from 01/01 to 30/06/2015** |  |  |  |  |  |
| Net carrying amount as at 01/01/2015 | 809 | 831 | 2,003 | 29 | 3,672 |
| Acquisition by a business combination |  |  |  |  |  |
| Increase (acquisition, production, lease) | 214 |  | 856 | 869 | 1,939 |
| Sale of a subsidiary (-) |  |  |  |  |  |
| Decrease (disposal, liquidation, reclassification) (-) | -5 | -33 | -48 | -812 | -898 |
| Revaluation to fair value (+/-) |  |  |  |  |  |
| Depreciation and amortisation (-) | -178 | -138 | -212 |  | -528 |
| Impairment loss (-) |  |  |  |  |  |
| Reversal of impairment charges |  |  |  |  |  |
| Net exchange differences on conversion (+/-) |  |  |  |  |  |
| Net carrying amount as at 30/06/2015 | 840 | 660 | 2,600 | 85 | 4,185 |
| **for the period from 01/01 to 30/06/2014** |  |  |  |  |  |
| Net carrying amount as at 01/01/2014 | 737 | 657 | 1,392 | 9 | 2,794 |
| Acquisition by a business combination |  |  |  |  |  |
| Increase (acquisition, production, lease) | 244 | 414 | 198 | 10 | 866 |
| Sale of a subsidiary (-) |  |  |  |  |  |
| Decrease (disposal, liquidation) (-) | -5 | -11 |  |  | -16 |
| Revaluation to fair value (+/-) |  |  |  |  |  |
| Depreciation and amortisation (-) | -167 | -122 | -208 |  | -497 |
| Impairment loss (-) |  |  |  |  |  |
| Reversal of impairment charges |  |  |  |  |  |
| Net exchange differences on conversion (+/-) |  |  |  |  |  |
| Net carrying amount as at 30/06/2014 | 810 | 936 | 1,382 | 19 | 3,147 |
| **for the period from 01/01 to 31/12/2014** |  |  |  |  |  |
| Net carrying amount as at 01/01/2014 | 737 | 657 | 1,392 | 9 | 2,794 |
| Acquisition by a business combination |  |  |  |  |  |
| Increase (acquisition, production, lease) | 422 | 496 | 1,043 | 782 | 2,744 |
| Sale of a subsidiary (-) |  |  |  |  |  |
| Decrease (disposal, liquidation, reclassification) (-) | -5 | -67 |  | -762 | -834 |
| Revaluation to fair value (+/-) |  |  |  |  |  |
| Depreciation and amortisation (-) | -346 | -254 | -432 |  | -1,032 |
| Impairment loss (-) |  |  |  |  |  |
| Reversal of impairment charges |  |  |  |  |  |
| Net exchange differences on conversion (+/-) |  |  |  |  |  |
| Net carrying amount as at 31/12/2014 | 809 | 831 | 2,003 | 29 | 3,672 |

The table below presents the acquisitions and disposals as well as impairment charges concerning intangible assets:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Trademarks | Programmes, licences | Other | In construction | Total |
| **for the period from 01/01 to 30/06/2015** |  |  |  |  |  |
| Net carrying amount as at 01/01/2015 |  | 50 | 294 |  | 343 |
| Acquisition by a business combination |  |  |  |  |  |
| Increase (acquisition, production, lease) | 300 | 108 |  |  | 408 |
| Sale of a subsidiary (-) |  |  |  |  |  |
| Decrease (disposal, liquidation) (-) |  |  |  |  |  |
| Revaluation to fair value (+/-) |  |  |  |  |  |
| Depreciation and amortisation (-) | -8 | -24 | -64 |  | -96 |
| Impairment loss (-) |  |  |  |  |  |
| Reversal of impairment charges |  |  |  |  |  |
| Net exchange differences on conversion (+/-) |  |  |  |  |  |
| Net carrying amount as at 30/06/2015 | 293 | 134 | 230 |  | 656 |
| **for the period from 01/01 to 30/06/2014** |  |  |  |  |  |
| Net carrying amount as at 01/01/2014 |  | 84 | 340 |  | 424 |
| Acquisition by a business combination |  |  |  |  |  |
| Increase (acquisition, production, lease) |  |  |  |  |  |
| Sale of a subsidiary (-) |  |  |  |  |  |
| Decrease (disposal, liquidation) (-) |  |  |  |  |  |
| Revaluation to fair value (+/-) |  |  |  |  |  |
| Depreciation and amortisation (-) |  | -22 | -57 |  | -79 |
| Impairment loss (-) |  |  |  |  |  |
| Reversal of impairment charges |  |  |  |  |  |
| Net exchange differences on conversion (+/-) |  |  |  |  |  |
| Net carrying amount as at 30/06/2014 |  | 62 | 283 |  | 345 |
| **for the period from 01/01 to 31/12/2014** |  |  |  |  |  |
| Net carrying amount as at 01/01/2014 |  | 84 | 340 |  | 424 |
| Acquisition by a business combination |  |  |  |  |  |
| Increase (acquisition, production, lease) |  | 9 | 70 |  | 79 |
| Sale of a subsidiary (-) |  |  |  |  |  |
| Decrease (disposal, liquidation) (-) |  |  |  |  |  |
| Revaluation to fair value (+/-) |  |  |  |  |  |
| Depreciation and amortisation (-) |  | -44 | -116 |  | -160 |
| Impairment loss (-) |  |  |  |  |  |
| Reversal of impairment charges |  |  |  |  |  |
| Net exchange differences on conversion (+/-) |  |  |  |  |  |
| Net carrying amount as at 31/12/2014 |  | 50 | 294 |  | 343 |

1. Information about material liabilities related to the purchase of tangible fixed assets

The Company does not have any material liabilities related to the purchase of fixed assets.

1. Information about material settlements resulting from cases vindicated in court

Not applicable.

1. Indication of adjustments of errors of previous periods

In the period covered by these abbreviated separate financial statements, there occurred no events that were not but should have been recognised in the accounting books of the reporting period. Additionally, these financial statements does not comprise any significant events concerning the previous years.

1. Information about changes in the economic situation and business conditions which have material impact on the fair value of financial assets and financial liabilities of the company

There were no changes in the economic situation and business conditions which would have any impact on the fair value of financial assets and financial liabilities.

1. Information about a failure to repay a loan or credit or about a violation of material provisions of a loan or credit agreement

There were no such situations.

1. Transactions with related parties

Below are presented transactions with related parties recognised in the abbreviated separate financial statements:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Interest income | | | Revenue from operating activities | | | Receivables | | |
| Sales to: | 01/01 to 30/06/2015 | From 01/01 to 30/06/2014 | From 01/01 to 31/12/2014 | From 01/01 to 30/06/2015 | From 01/01 to 30/06/2014 | From 01/01 to 31/12/2014 | From 01/01 to 30/06/2015 | From 01/01 to 30/06/2014 | From 01/01 to 31/12/2014 |
| The parent company |  |  |  |  |  |  |  |  |  |
| A subsidiary | 228 | 306 | 643 | 541 | 255 | 549 | 159 |  |  |
| An associate |  |  |  |  |  |  |  |  |  |
| A joint venture |  |  |  |  |  |  |  |  |  |
| Key management personnel |  |  |  |  |  |  |  |  |  |
| Other related parties |  |  |  |  |  |  |  |  |  |
| Total | 228 | 306 | 643 | 541 | 255 | 549 | 159 |  |  |

There were no impairment charges on receivables from related parties, therefore no costs on this account were recognised in the financial statement.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 30/06/2015 | | 30/06/2014 | | 31/12/2014 | |
|  | Originated in the period | Accumulated balance | Originated in the period | Accumulated balance | Originated in the period | Accumulated balance |
| Loans granted: |  |  |  |  |  |  |
| The parent company |  |  |  |  |  |  |
| A subsidiary | 460 | 6,742 | 4,550 | 6,982 | 8,050 | 6,282 |
| An associate |  |  |  |  |  |  |
| A joint venture |  |  |  |  |  |  |
| Key management personnel |  |  |  |  |  |  |
| Other related parties |  |  |  |  |  |  |
| Total | 460 | 6,742 | 4,550 | 6,982 | 8,050 | 6,282 |

1. In case of financial instruments carried at fair value - information about a change of the method of its determination

The way of determination of fair value of financial instruments did not change.

1. Information about a change in the classification of financial assets in consequence of a change of the purpose of utilisation of such assets

There were no reclassifications of financial assets which would lead to a change in the measurement of these assets carried at fair value, at cost or at amortised cost.

1. Indication of events occurring after the date of these abbreviated interim separate financial statement which were not included in the statements and which could significantly influence the future results of the issuer;

In the period covered by these interim financial statements, there occurred no events that were not but should have been recognised in the accounting books of the reporting period. Additionally, these financial statements does not comprise any significant events concerning the previous years.

1. Information on changes in contingent liabilities and contingent assets that occurred in the period after the end of the last reporting period

|  |  |  |  |
| --- | --- | --- | --- |
|  | 30/06/2015 | 30/06/2014 | 31/12/2014 |
| To related parties not subject to consolidation: |  |  |  |
| Liability payment guarantee |  |  |  |
| Guarantees originated |  |  |  |
| Guarantees originated in relation with the building services contracts |  |  |  |
| Disputed cases and cases in court |  |  |  |
| Other Contingent Liabilities |  |  |  |
| **Total related parties not subject to consolidation** |  |  |  |
| To associated parties: |  |  |  |
| Liability payment guarantee |  |  |  |
| Guarantees originated |  |  |  |
| Guarantees originated in relation with the building services contracts |  |  |  |
| Disputed cases and cases in court |  |  |  |
| Other Contingent Liabilities |  |  |  |
| **Total associates** |  |  |  |
| To other parties: |  |  |  |
| Liability payment guarantee | 29,810 | 28,185 | 29,585 |
| Guarantees originated |  |  |  |
| Guarantees originated in relation with the building services contracts |  |  |  |
| Disputed cases and cases in court |  |  |  |
| Disputed cases and cases in court related to the IRS |  |  |  |
| Other Contingent Liabilities |  |  |  |
| **Total other parties** | **29,810** | **28,185** | **29,585** |
| **Total contingent liabilities** | **29,810** | **28,185** | **29,585** |

1. Information about material changes in estimates

No other material changes in estimates.

1. Other significant changes in assets, liabilities, revenue and costs

There were no significant changes in assets, liabilities, revenue and costs.

APPROVAL FOR PUBLICATION

The abbreviated interim consolidated financial statements and the separate financial statements made for the period of 6 months ended on 30/06/2015 (including comparable data) have been approved for publication by the Parent Company's Management Board on 17 August 2015.

Signatures of all Management Board Members:

|  |  |  |  |
| --- | --- | --- | --- |
| Data | Name and surname | Position | Signature |
| 17 August 2015 | Rafał Stempniewicz | President of the Management Board |  |
| 17 August 2015 | Stanisław Górski | Member of the Management Board |  |
| 17 August 2015 | Robert Krasowski | Member of the Management Board |  |
| 17 August 2015 | Artur Wojtaszek | Member of the Management Board |  |

Signature of the person responsible for the preparation of the financial statements

|  |  |  |  |
| --- | --- | --- | --- |
| Data | Name and surname | Position | Signature |
| 17 August 2015 | Jolanta Stachowiak | Chief Accountant |  |

Tell S.A. Group

REPORT ON THE ACTIVITIES OF THE GROUP IN THE FIRST HALF OF 2015

REPORT ON THE ACTIVITIES OF THE TELL S.A. GROUP

Description of the organisation of the issuer's group and indication of consolidated entities

The Tell S.A. Group comprises Tell S.A., which is the parent company, and the companies presented in the table below:

|  |  |  |
| --- | --- | --- |
|  |  | **% of shares/participations held** |
| **Name of the Company** | **Registered office** | **directly controlled** |
| Euro-Phone Sp. z o.o. | ul. Puławska 40a, 05-500 Piaseczno | 100 |
| PTI Sp. z o.o. | ul. Forteczna 19A, 61-362 Poznań | 100 |
| Cursor S.A. | ul. Równoległa 4A, 02-235 Warszawa | 100 |
| Divante Sp. z o.o. | ul. Kościuszki 14, 50-038 Wrocław | 51.03 |
| Toys4Boys Pl. Sp. z o.o. | ul. Nowy Świat 11B, 80-299 Gdańsk | 30 |
| Connex Sp. z o.o | ul. Forteczna 19A, 61-362 Poznań | 100 |

The Companies: Cursor S.A., and Divante Sp. z o.o., entered the issuer's group on 05/03/2015.

The following companies are subject to consolidation:

Euro-Phone Sp. z o.o.

PTI Sp. z o.o.

Cursor S.A. (since 01/03/2015)

Divante Sp. z o.o. (since 01/03/2015)

The companies: Toys4Boys.pl Sp. z o.o. and Connex Sp. z o.o. are not subject to consolidation and Tell S.A. made 100% impairment charges on the shares in those companies.

The structure of the Group slightly changed when compared to the state presented in the quarterly statements for the first quarter of 2015. In order to sort out the organisational structure and to ensure cost optimization, on 25 and 26 May 2015, Divante Sp. z o.o. sold its 58.80% of shares in Ideacto Sp z o.o. and 50.94% of shares in Sendingo Sp. z o.o. The sale of shares in the above-mentioned companies did not impact the scope of market offering of Divante Sp. z o.o., its customer base and the financial forecasts. The value of the share sale transaction amounted to kPLN 350, and the profit to kPLN 190. The above-mentioned companies were not consolidated due to their immateriality.

Indication of consequences of changes in the structure of the entity, including the resulting mergers, take-overs or sales of the issuer's group companies, long-term investments, divisions, restructuring or business discontinuations;

On 5 March 2015, in result of the acquisition of shares in Cursor S.A. and Divante Sp. z o.o., the Issuer's Group diversified its business. This will allow, in the subsequent quarters, to restrict to a significant extent the dependence of its financial results on the situation on the mobile phone market and conditions of cooperation with the network operators - Orange, T-Mobile and Plus.

In result of the above-mentioned takeover, the levels of consolidated assets, liabilities, revenues and costs of the Issuer's Group changed considerably. The impact of the takeover on the most important items of the consolidated financial statements as at 30/06/2015 is presented in the table below.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Total Group** | **Cursor S.A. + Divante Sp. z o.o.** | **Share % Cursor and Divante** |
| Assets, including: | 185,161 | 62,210 | 34 |
| - including goodwill | 68,385 | 10,804 | 16 |
| Liabilities | 102,786 | 49,937 | 49 |
| Total income | 156,570 | 49,483 | 32 |
| Total costs | 151,305 | 47,288 | 31 |

At the same time, in consequence of the issue of 1,777,692 shares subscribed by OEX S.A. in relation with the acquisition by Tell S.A. of shares in Cursor S.A. and Divante Sp. z o.o. (registered by the court on 23 April 2015), the total number of shares and the voting structure at the general meeting of shareholders of Tell S.A. changed.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Shareholding structure and votes at the general meeting of shareholders of Tell S.A. before the issue of shares for OEX S.A.** | | | | |
| Type of shares | Number of shares | Percentage of share | number of votes | Share in votes |
| ordinary bearer | 3,729,535 | 72.97% | 3,729,535 | 57.45% |
| registered, preferential in terms of votes | 1,381,312 | 27.03% | 2,762,624 | 42.55% |
| Total | 5,110,847 | 100% | 6,492,159 | 100% |
|  |  |  |  |  |
| **Shareholding structure and votes at the general meeting of shareholders of Tell S.A. after the issue of shares for OEX S.A.** | | | | |
| Type of shares | Number of shares | Percentage of share | number of votes | Share in votes |
| ordinary bearer | 5,507,227 | 79.95% | 5,507,227 | 66.59% |
| registered, preferential in terms of votes | 1,381,312 | 20.05% | 2,762,624 | 33.41% |
| Total | 6,888,539 | 100% | 8,269,851 | 100% |

Description of significant achievements of failures of the issuer in the reporting period

Performance of the Investment Agreement with OEX S.A.

The most important event concerning the Issuer in the first half of 2015 was the execution and performance of the investment agreement dated 21 November 2014 between Tell S.A. and OEX S.A. concerning the acquisition by Tell S.A. of:

163,517,500 (say: one hundred and sixty-three million five hundred and seventeen thousand five hundred) ordinary shares of the nominal value of PLN 0,01 (say: one Polish groszy) each, in the share capital of Cursor S.A. *(Polish joint stock company)* with registered office in Warsaw, at ul. Równoległa 4A (02-235 Warszawa), entered into the Register of Entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, under number KRS 0000338509, constituting the total of 100% of the share capital of the said company and entitling to the same percentage of votes at the general meeting of shareholders of the said company, for the total value of PLN 36,800,000.00

- 592 (say: five hundred and ninety-two) shares of the nominal value of PLN 50.00 (say: fifty Polish zlotys) each, in the share capital of Divante Sp. z o.o. with registered office in Wrocław, at   
ul. Kościuszki 14 (50-038 Wrocław), entered into the Register of Entrepreneurs of the National Court Register maintained by the District Court for Wrocław-Fabryczna in Wrocław, VI Commercial Division of the National Court Register, under number KRS: 0000313348, constituting the total of 51.03% (after rounding up) of the share capital of the said company and entitling to the same percentage of votes at the general meeting of shareholders of the said company, for the total value of PLN 6.800.000

The above-mentioned shares constituted the contribution in kind made by OEX S.A. to subscribe 1,777,692 shares of the issuer pursuant to Resolution of the Extraordinary General Meeting of Shareholders No. 3/2014 dated 18 December 2014 at the issue price of PLN 13.00 (say: thirteen Polish zlotys) per share, i.e. for the total issue price of PLN 23,109,996.00 (say: twenty-three million one hundred and nine thousand nine hundred and ninety-six Polish zlotys).

Result summary

In the first half of 2015, the revenue from the sale in the TELL S.A. Group amounted to kPLN 155,643 and was higher by 28.6% than in the corresponding period of previous year.

The operating profit for the first half of 2015 amounted to kPLN 6,055 and was higher by 32.3% than in the corresponding period of previous year.

EBITDA of the first half of 2015 amounted to kPLN 7,858 and was higher by 43.7% than in the corresponding period of the previous year.

The net profit of the first half of 2015 was kPLN 4,058 and was higher than in the corresponding period of the previous year by 31.0% (whereby the net profit attributable to the shareholders of the Parent Company amounted to kPLN 3,604).

The achieved levels of the above-presented data contain values resulting from the consolidation of Cursor S.A. and Divante Sp. z o.o., i.e. the values achieved by them in the period from March to June 2015. The highest share in the total operating result of the Group after the first half of 2015 was held by the segment Retail Sale Network Management – 65% (kPLN 4,036). At the same time, the result is almost 12% lower than in the corresponding period of 2014. The remaining 35% of the operating profit was generated by new segments, created after the takeover of Cursor S.A. and Divante Sp. z o.o, whereby the share of the Sale Support segment amounted to 22.4% (kPLN 1,380), and the E-business segment to 12.6% (kPLN 783).

At the level of EBITDA, the above structure is as follows:

* + - Retail sale network management segment – 61.9% (kPLN 4,955). At the same time, the result is 9.4% lower than in the corresponding period of 2014.
    - Sale support segment – 24.7% (kPLN 1,977);
    - E-business segment – 13.4% (kPLN 1,069).

In accordance with the assumptions of the Issuer's Management Board, the share of new segments in subsequent quarters should gradually increase. This concerns in particular the E-business segment.

The takeover of Cursor S.A. and Divante Sp. z o.o. also resulted in the considerable growth in assets and liabilities in the consolidated balance sheet of the Group – by over 57% y/y. At the same time, the structure of the balance sheet changed considerably, mainly due to the specific character of the business of acquired companies (B2B segment services). The prevailing part of assets are now the current assets (50.7% vs 43.8% in 2014), which grew by over 82% when compared to 30/06/2014. This growth is mainly the consequence of the growth in short-term receivables, whose share in the asset structure went up from 34.1% to 39.4%. Similarly, at the equity&liabilities side, the highest share constitute liabilities, and in particular short-term liabilities, which grew by over 73%, achieving the level of 48.1% in the structure of equity&liabilities (vs 42.7% as at 30/06/2014).

The specific character of the service activities in the new segments consists in the fact that, without limitation, the operating costs result to a considerable extent from various forms of personnel costs, with regard to which one can hardly talk about extended terms of payment, while the revenues are generated from corporate clients with considerable bargaining power, which, in turn, force relatively longer payment terms. This situation results in the considerable share of interest liabilities (working capital loans, factoring) in the structure of current asset financing when compared to the previous operating model of the Group. The Group’s total interest liabilities as at 30/06/2015 amounted to kPLN 27,580, which constitutes 14.9% of the total of equity&liabilities (vs kPLN 6,518, 5.5% of the total equity&liabilities in the corresponding period of the previous year). The short term debt of the Group as at 30/06/2015 amounted to kPLN 24,598, which constitutes 27.6% of the total of equity&liabilities (vs kPLN 6,518, 13.0% of the total short-term liabilities in the corresponding period of the previous year).

Value of the sale network of the retail sale network management segment

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Number of stores as at the end of the reporting half year | | | | |
|  |  |  |  |  |
|  | **as at 30/06/2015** | **as at 30/06/2014** | **change y/y in pcs.** | **change 2015/2014** |
| Orange network stores | 152 | 170 | -18 | 89.4% |
| T-Mobile network stores | 81 | 89 | -8 | 91.0% |
| Plus network stores | 77 | 83 | -6 | 92.8% |
| **Total stores** | **310** | **342** | **-32** | **90.6%** |
|  |  |  |  |  |
|  |  |  |  |  |
| Average number of stores in the reporting half year | | | | |
|  |  |  |  |  |
|  | **average in the period from 01/01. to 30/06/2015** | **average in the period from 01/01. to 30/06/2014** | **change y/y in pcs.** | **change 2015/2014** |
| Orange network stores | 153.3 | 171.7 | -18.3 | 89.3% |
| T-Mobile network stores | 81.0 | 89.0 | -8.0 | 91.0% |
| Plus network stores | 77.3 | 83.0 | -5.7 | 93.2% |
| **Total stores** | **311.7** | **343.7** | **-32.0** | **90.7%** |

Revenue volumes and breakdown - the retail sale network management segment

|  |  |  |  |
| --- | --- | --- | --- |
|  | 01/01 to 30/06/2015 | 01/01 to 30/06/2014 | change 2015/2014 |
| Revenue from the sale of telecommunication services | 46,438 | 47,612 | 97.5% |
| Sets and pre-paid refillments | 7,377 | 8,240 | 89.5% |
| Postpaid contract phones | 47,801 | 60,319 | 79.2% |
| Other revenue | 5,738 | 4,888 | 117.4% |
| Total | 107,354 | 121,060 | 88.7% |
|  |  |  |  |
| Service sale volume | 01/01 to 30/06/2015 | 01/01 to 30/06/2014 | change 2015/2014 |
| Postpaid activations | 242,519 | 270,058 | 89.8% |
| Prepaid activations | 50,544 | 55,370 | 91.3% |
| Total | 293,063 | 325,428 | 90.1% |

Description of factors and events, in particular extraordinary ones, having a significant influence on the financial results achieved

Before the takeover of Cursor S.A. and Divante Sp. z o.o. on 5 March 2015, there were no other factors and events which may have a significant impact on the financial results.

Statement of the Management Board concerning the possibility of achieving the earlier published forecasts of results for the given year in the light of results presented in the half-yearly statements (as compared to the forecasts)

On 10/06/2015 the Management Board published a forecast of results for 2015, which comprised the following amounts (ongoing report No. 21/2015):

Consolidated revenue of the Group – in the amount of PLN 315.04 million,

Consolidated operating profit of the Group – in the amount of PLN 15.83 million,

Consolidated EBITDA of the Group – in the amount of PLN 19.66 million,

Consolidated net profit of the Group – in the amount of PLN 10.50 million.

The issuer monitors the possibilities ensuring the forecast performance as planned on an ongoing basis, analysing the activation volumes, the sale network size and the commission systems (in the Retail Sale Network Management segment) as well as the contracts executed and the extent of performance of infrastructure extension plans, the service provision possibilities and the cost optimisation (in the Sale Support and E-business segments).

In the light of the results published in these half-yearly statements and the data available as at the publication date, the Issuer's Management Board fully supports the forecast made.

Indication of shareholders holding, directly or indirectly through subsidiary entities, at least 5% of total votes at the general meeting of shareholders of the issuer as at the date of publication of the mid-year statements, indication of the number of shares held, their percentage of share capital, number of votes resulting and percentage of total votes at the general meeting of shareholders and indication of changes in the structure of significant blocks of shares in the issuer in the period from the publication of the previous quarterly statements;

As at the date of presentation of the report for the first half of 2015, the share capital of the Company amounted to PLN 1,377,707.80 (in 2014: PLN 1,022,169.10) and was divided into:

1,381,312 registered series A preferential shares, the preference entitling to two votes from one share;

3,729,535 ordinary bearer shares - issued as series A and B shares;

1,777,692 ordinary series C bearer shares.

All shares equally participate in the dividend distribution. The shares are divided into ordinary bearer shares, which entitle to one vote at the General Meeting of Shareholders, and preferential shares, where 1 preferential share entitle to two votes.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Shareholders holding at least 5% of votes at the General Meeting of Shareholders as at the date of the publication of the statements for the first half of 2015.** | | | | |
| Shareholder | Total shares | Total votes | Share capital held | % of votes |
| Neo Investment S.A. - indirectly, including by: | 1,624,584 | 2,846,288 | 23.58% | 34.42% |
| - Neo Fund 1 Sp. z o.o. | 1,418,840 | 2,640,544 | 20.60% | 31.93% |
| OEX Spółka akcyjna | 1,777,692 | 1,777,692 | 25.81% | 21.50% |
| Quercus Parasolowy SFIO and Quercus Absolute Return FIZ | 811,013 | 811,013 | 11.77% | 9.81% |
| AVIVA Investors FIO, AVIVA Investors SFIO\* | 458,549 | 458,549 | 6.59% | 7.42 |
| Waldemar Ziomek | 453,648 | 613,256 | 6.59% | 7.42% |
| **Total** | **5,125 486** | **6,506 795** | **74.33%** | **80.57%** |
| \* number of shares from which the AVIVA Funds wee authorised to participate in the General Meeting of Shareholders on 23/06/2015 | | | | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Shareholders holding at least 5% of votes at the General Meeting of Shareholders as at the date of the publication of the statements for the first quarter of 2015.** | | | | |
| Shareholder | Total shares | Total votes | Share capital held | % of votes |
| Neo Investment S.A. - indirectly, including by: | 1,624,584 | 2,846,288 | 23.58% | 34.42% |
| - Neo Fund 1 Sp. z o.o. | 1,418,840 | 2,640,544 | 20.60% | 31.93% |
| - Emir 80 Sp. z o.o. | 205,744 | 205,744 | 2.98% | 2.49% |
| OEX Spółka akcyjna | 1,777,692 | 1,777,692 | 25.81% | 21.50% |
| Quercus Parasolowy SFIO and Quercus Absolute Return FIZ | 811,013 | 811,013 | 11.77% | 9.81% |
| AVIVA Investors FIO, AVIVA Investors SFIO\* | 657,672 | 657,672 | 9.55% | 7.95% |
| Waldemar Ziomek | 453,648 | 613,256 | 6.59% | 7.42% |
| **Total** | **5,324,609** | **6,705,921** | **77.29%** | **81.10%** |
| \*\* number of shares held by Funds represented at the Ordinary General Meeting of Shareholders on 28/04/2011. | | | | |
|  | | | | |

The above statements were made in the basis of information given to the Company by the shareholders, in particular in the form of notifications about considerable blocks of shares, taking into account changes in the amount and structure of the Company's share capital, including changes related to the share issue, division, conversion or redemption.

List of issuer's shares and entitlements thereto held by persons managing or supervising the issuer upon the date of the publication of the half-yearly statements, indication of changes thereto in the period from the publication of the previous statement, separately for each such person

List of shares held by persons managing or supervising the issuer as at the date of publication of this report for the first half of 2015.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Total shares** | **Total votes** | **Share capital held** | **% of votes** |
| **Members of the Supervisory Board** |  |  |  |  |
| Paweł Turno | 30,000 | 30,000 | 0.44% | 0.36% |
| Piotr Cholewa | 52,816 | 52,816 | 0.77% | 0.64% |
| **Management Board** |  |  |  |  |
| Rafał Stempniewicz | 94,590 | 94,590 | 1.37% | 1.14% |
| Stanisław Górski | 2,319 | 2,319 | 0.03% | 0.03% |
| Robert Krasowski | 4,924 | 4,924 | 0.07% | 0.06% |
| Artur Wojtaszek | 13,000 | 13,000 | 0.16% | 0.19% |

List of shares held by persons managing or supervising the issuer as at the date of publication of this report for the first quarter of 2015.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Total shares** | **Total votes** | **Share capital held** | **% of votes** |
| **Members of the Supervisory Board** |  |  |  |  |
| Paweł Turno | 30,000 | 30,000 | 0.44% | 0.36% |
| Piotr Cholewa | 52,816 | 52,816 | 0.77% | 0.64% |
| **Management Board** |  |  |  |  |
| Rafał Stempniewicz | 94,590 | 94,590 | 1.37% | 1.14% |
| Stanisław Górski | 2,319 | 2,319 | 0.03% | 0.03% |
| Robert Krasowski | 4,924 | 4,924 | 0.07% | 0.06% |

Indication of court, arbitration or public administration proceedings

Both the Parent Company and the subsidiaries are parties to legal proceedings in courts of law, however none of such proceedings concerns liabilities or receivables whose value constitutes at least 10 % of the equity of the Parent Company. Similarly, the total value of, respectively, liabilities and receivables litigated in court does not constitute at least 10 % of the equity of the issuer.

There are no proceedings with the participation of the Parent Company or its subsidiaries before any arbitration court.

Information about the execution by the company or its subsidiary of a single or more transactions with related parties, if such transactions, taken separately or together, are material and were made on conditions other than at arm's length

All transactions between the Group companies are at arm's length transactions.

Information on the grant by the issuer or its subsidiary of a loan collateral or guarantee to one entity or subsidiary of such entity (jointly) if the total value of the existing collaterals or guarantees is equivalent to at least 10 % of the issuer's equity

Not applicable.

Other information, which in the issuer's opinion is important for the assessment of its personnel, economic, financial position and the financial result, as well as changes thereto; information that is important for the assessment of the issuer's obligation discharge possibilities

The statements contain basic information which is important for the assessment of the situation of the Tell S.A. Group, whereby, for the correct interpretation of the separate and consolidated financial results obtained by the companies: Tell S.A., Euro Phone Sp. z o.o. and PTI Sp. z o.o. it is necessary to explain different ways of recognition in the books of the companies of subsidies for the sale of mobile phones by particular operators and the impact of such operations on revenue and costs items. Irrespective of a different way of mobile phone sale settlement by particular operators, the result on such operations is neutral.

**ORANGE network operator – Orange Polska S.A.**

Tell S.A. acquires phones from the Operator at market prices. After the purchase, the Company incurs a liability in an amount equal to the market price of the phone. At the same time, the Company recognised in its assets an inventory stock valued at the phones' market prices. The Company sells such phones in two variants:

a sale of the phone directly to the client in a sale outlet

In this case, the sale is made at the promotional price (allowing for a subsidy at the level agreed with the Operator). Thus, the Company makes a temporary loss on this particular transaction. However, immediately after the promotional sale, in accordance with the procedures agreed with the Operator in the contract , the Operator issues corrective invoices decreasing the original phone purchase price for the Company to the promotional price (allowing for the subsidy level). Thus, in effect, the transaction has a neutral effect on the Company's financial result;

sale of the phone to a sub-agent, who then sells it to a client in a sale outlet

In this case, the sale is made at the original Operator's purchase price and then the process is analogous as above, whereby it is the Company that issues a corrective invoice to the sub-agent, adjusting the original selling price.

**T-Mobile network operator – T-Mobile Polska S.A.**

Until the end of June 2011, the revenue and costs related to the sale of mobile phones were registered in promotional prices. Between 1 July 2011 and March 2013, the Company had in place a system identical to the system of settlements between Tell S.A. and the Orange network operator. This system was changed in March 2013. Currently, the Company Euro-Phone Sp. z o.o. receives phones from the Operator as held in trust and has 45 days to sell them.. If not sold within such period of 45 days, the phones are automatically bought and an invoice is made to the name of Euro-Phone Sp. z o.o. If, consequently, the phone (purchased by the Company after the expiry of the 45 day period) is sold to the client in a selling outlet, the difference between the purchase price and the promotional price is reimbursed on the basis of a correction invoice, i.e. in accordance with the same procedure as before the system change. Transactions with sub-agents are a replication of the operations between the Company and the operator, with a difference that the Company is a party to them and not the Operator.

**PLUS network operator - Polkomtel Sp. z o.o.**

PTI Sp. z o.o. acquires phones from the Operator at market prices. After the purchase, the Company incurs a liability in an amount equal to the market price of the phone. At the same time, the Company recognised in its assets an inventory stock valued at the phones' market prices. The Company sells such phones in two variants:

a sale of the phone directly to the client in a sale outlet

In this case, the sale is made at the promotional price (allowing for a subsidy at the level agreed with the Operator). Thus, the Company makes a loss on this particular transaction. However, immediately after the promotional sale, as agreed with the Operator in the contract, the Operator grants the company a commission in an amount equal to the value of loss incurred at the given transaction. In effect, the transaction has a neutral effect on the Company's financial result, however, the Company shows much higher revenues and costs than other Group companies (cooperating with mobile phone operators) in similar transactions.

sale of the phone to a sub-agent, who then sells it to a client in a sale outlet

In this case the sale is made at the original price of purchase from the Operator, but then the process is similar as the one described above, whereby it is PTI Sp. z o.o. that sets off the sub-agent's loss on the mobile phone sale transaction to a client by paying an appropriate commission (received earlier from the Operator).

In consequence of such recognition, the phone sale results in relatively high revenues from the sale and high costs of sale when compared to other Group companies cooperating with mobile phone operators).

Besides the separate subsidy recording and settlement methods related to subscription phones under the agreements with particular operators and besides the acquisition of shares in Cursor S.A. and Divante Sp. z o.o. as described in this report, the Issuer does not identify any information which, in the issuer's opinion, would be material for the assessment of its personnel, economic or financial situation, the financial result or the possibility to discharge its obligations.

Indication of factors which, in the issuer's opinion, will have an influence on its results within the perspective of at least next half year

The basic factors that will impact the performance of the Tell S.A. Group in the second half year of 2015 are as follows:

* 1. Demand for mobile phone services, allowing for, in particular:

seasonality;

promotional actions planned by mobile phone operators;

level of performance of sale plans imposed on the Group companies by operators.

* 1. Uninterrupted performance of contracts made so far in the segments Sale Support and E-Business as well as acquisition of new contracts as per the internal plans:
  2. Consolidation of Cursor S.A. and Divante Sp. z o.o.

In relation with the takeover of the above-mentioned companies, the Issuer's Management Board expects further considerable increases in revenues, costs and particular levels of the financial result when compared to the comparable periods of 2014.

* 1. The sale network downsizing plan announced by T-Mobile Polska

By the end of this year, the T-Mobile operator intends to downsize the network of agency stores by approximately 40%. The issuer's subsidiary – Euro-Phone Sp. z o.o. estimates that in its case, approximately 26 stores will be closed, which amounts to 32% of the network as at the end of this half year. The shutdowns were planned to take place in the period from the end of June this year to the end of December this year. At the same time, Euro-Phone Sp. z o.o. assumes that the fall in the revenues and the performance in consequence of the store shutdown will be significantly lower that the percentage of the stores shut due to the fact that those stores generate revenues and performance much worse than the average for the entire network. Additionally, based on the operator's declarations, Euro-phone Sp. z o.o. expects a real growth in the revenue per store, i.e. higher than that resulting from the shutdown of stores with revenues below the average. Irrespective of the above, Euro-phone Sp. z o.o. undertook consolidation-aimed measures as mentioned below.

* 1. Performance of the agreement dated 24 April 2015 by Euro-Phone Sp. z o.o. - issuer's subsidiary (ongoing report 13/2015)

Pursuant to the above-mentioned agreement, the subsidiary acquired the rights to the total of 23 locations with T-Mobile's authorisation The remuneration for the transfer of rights and obligations was agreed to be PLN 2,000,000 plus VAT. The transfer of rights and future obligations under the representative contracts and cooperation contracts took place as planned - on 30 June 2015. Euro-phone Sp. z o.o. expects that in result of that transaction the size of its sale network will remain comparable to the one in 2014 but its financial performance will be higher than assumed before the network downsizing plan was announced by T-Mobile, and especially in relation with the results assuming the network downsizing and no consolidation at all. The price for the acquired network was determined on the basis of the store downsizing plans as announced by T-Mobile.

Main factors determining the Issuer’s changes for development, risks and threats.

The basis factor determining the Group’s development changes in the future is the business diversification made. Owing to the take-over of Cursor S.A. and Divante Sp. z o.o., the group obtained growth potential in areas that, on the one hand, are complementary to its existing business, and, on the other hand, are not subject to contractual limitations as to the selection of lines of strategic development and the scale of operations.

Main risk factors are:

Risk related to the macroeconomic situation of Poland;

Dependence on mobile phone operators of particular Group companies;

Change of sale strategy by mobile phone operators

Growth in importance of other service sale channels among mobile phone operators (call centres, Internet);

Possibilities to terminate agency contracts by operators;

Loss of competitive position for operators in the context of results of particular Group companies;

The risk of slowdown on the market of sale support and e-business

Risk related to the possible reduction by the FMCG sector companies of their budgets for promotions in the form of tasting, event organization, animation etc.;

Risk of the takeover by the large surface store stores of responsibility for the merchandising activity organisation process;

Risk of price pressure on the part of clients, especially international concerns, whose scale of business significantly exceeds the scale of business of the TELL Group.

Risk of delays in the payment of amounts due from clients, which increases the need for working capital financing;

**Signatures of Members of the Management Board of Tell S.A.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Data** | **Name and surname** | **Position** | **Signature** |
| 17 August 2015 | Rafał Stempniewicz | President of the Management Board |  |
| 17 August 2015 | Stanisław Górski | Member of the Management Board |  |
| 17 August 2015 | Robert Krasowski | Member of the Management Board |  |
| 17 August 2015 | Artur Wojtaszek | Member of the Management Board |  |