

**TELL S.A. GROUP**  
Quarterly Consolidated Financial Statement for  
Q1 2011

Poznań, 06 May 2011

**Tell S.A. Group**  
Quarterly consolidated financial statements for Q1 2011

**1. Selected consolidated financial data**

	in kPLN		in k EUR	
	2011 period from 01/01/2011 to 31/03/2011	2010 period from 01/01/2010 to 31/03/2010	2011 period from 01/01/2011 to 31/03/2011	2010 period from 01/01/2010 to 31/03/2010
I. Net revenue from the sale of products and goods	79,060	67,061	19,893	16,905
II. Operating profit (loss)	3,386	2,592	852	653
III. Gross profit (loss)	3,250	1,264	818	319
IV. Net profit (loss)	2,620	626	659	158
V. Net cash flows provided / (used) by operating activities	1,775	4,234	447	1,067
VI. Net cash flows provided / (used) by investing activities	-1,369	-268	-345	-68
VII. Net cash flows provided / (used) by financing activities	-575	-685	-145	-173
VIII. Total net cash flows	-170	3,280	-43	827
IX. Total assets	140,652	137,394	35,059	35,574
X. Liabilities and provisions for liabilities	82,678	82,221	20,608	21,289
XI. Long-term liabilities	5,623	6,305	1,402	1,632
XII. Short-term liabilities	71,081	71,476	17,718	18,507
XIII. Shareholder's equity	57,974	55,172	14,451	14,285
XIV. Share capital in PLN	1,261,924.60	1,265,000	314,545	327,534
XV. Average weighted number of shares (items)	6,309,623	6,309,623	6,309,623	6,309,623
XVI. Earnings per ordinary share (in PLN/EURO)	0.42	0.10	0.10	0.02
XVII. Diluted earnings per ordinary share (in PLN/EURO)	0.42	0.10	0.10	0.02
XVIII. Number of shares (items) less treasury shares	6,309,623	6,309,623	6,309,623	6,309,623
XIX. Book value per ordinary share (in PLN/EURO)	9.19	8.74	2.29	2.26
XX. Diluted book value per ordinary share (in PLN/EUR)	9.19	8.74	2.29	2.26
XXI. Declared or paid dividend per share (in PLN/EUR)				

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**2. Consolidated Statement of Financial Position**

	2011 as at 31/03/2011	2010 As at 31/12/2010	2010 As at 31/03/2010
<b>A s s e t s</b>			
Fixed assets	67,363	66,541	58,914
Intangible fixed assets	39,201	39,320	32,282
Goodwill	18,792	18,792	17,792
Tangible fixed assets	5,435	5,908	6,425
Long-term receivables	1,236	1,258	915
Investments in subsidiaries	1,287	0	0
Deferred income tax assets	1,057	874	1,015
Long-term prepayments	355	387	484
Current assets	73,289	81,592	78,480
Inventories	13,815	15,461	15,039
Trade receivables and other receivables	54,438	61,489	52,924
Financial assets	239	274	575
Prepayments	824	224	820
Cash and cash equivalents	3,974	4,145	9,122
<b>Total assets</b>	<b>140,652</b>	<b>148,133</b>	<b>137,394</b>

<b>E q u i t y &amp; L i a b i l i t i e s</b>			
Shareholder's equity	57,974	55,354	55,172
Share capital	1,262	1,262	1,265
Own shares	0	0	- 3
Supplementary capital	36,396	36,396	36,128
Revaluation reserve	0	0	- 677
Reserve capital	9,902	9,902	9,902
Retained profit	7,795	677	7,932
Net profit	2,620	7,117	626
Liabilities and provisions for liabilities	82,678	92,779	82,221
Deferred tax liabilities	4,954	4,251	3,543
Provision for retirement benefits and similar benefits	39	39	64
Other provisions	981	1,126	834
Long-term liabilities	5,623	6,051	6,305
Short-term liabilities	71,081	81,313	71,476
<b>Total equity &amp; liabilities</b>	<b>140,652</b>	<b>148,133</b>	<b>137,394</b>

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**3. Consolidated Comprehensive Income Statement**

	2011 period from 01/01/2011 to 31/03/2011	2010 period from 01/01/2010 to 31/03/2010
Net revenues from sale	79,060	67,061
- from related parties		
Net revenue from the sale of products	47,445	40,759
Net revenues from the sale of goods	31,616	26,302
Sale costs	60,192	50,549
- from related parties		
Costs of products sold	29,155	24,971
Value of goods sold	31,038	25,578
Gross profit on sale	18,868	16,513
Sale costs	12,451	11,004
Administration costs	3,080	2,997
Other operating income	107	141
Other operating expense	59	61
Profit on operating activities	3,386	2,592
Financial income	52	64
Financial costs	188	775
Result of the control loss settlement		616
Gross profit	3,250	1,264
Income tax	630	639
a) current part	109	33
b) deferred part	521	606
Net profit on continued activities	2,620	626
Other comprehensive income		
Other comprehensive income after taxation		
Total comprehensive income	2,620	626

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**4. Consolidated Cash Flow Statement**

	2011 period from 01/01/2011 to 31/03/2011	2010 period from 01/01/2010 to 31/03/2010
Gross profit	3,250	1,264
Total adjustments	- 1,475	2,353
Amortisation and depreciation	644	661
Interest and share in profits (dividends)	153	116
Profit on investment activities	43	- 92
Change in provisions	- 145	- 6
Change in inventories	1,646	4,468
Change in receivables	7,073	7,277
Change in short-term liabilities, excluding loans and advances	- 9,920	- 9,854
Change in prepayments and accruals	- 517	- 399
Paid income tax	- 452	- 378
Other adjustments		1,176
<b>Net cash flows provided / (used) operating activities</b>	<b>1,775</b>	<b>4,234</b>
Cash flow from investing activity		
Inflows	113	184
Disposal of intangible and tangible fixed assets	91	114
From financial assets, including interest	22	23
Repayment of loans		47
Outflows	- 1,482	- 452
Acquisition of intangible and tangible fixed assets	- 185	- 452
Financial assets in related parties	- 1,287	
Grant of advances	- 10	
<b>Net cash flows provided / (used) by investing activities</b>	<b>- 1,369</b>	<b>- 268</b>
Cash flow from financial activity		
Inflows	33	19
Loans and advances		
Interest	33	19
Outflows	- 608	- 704
Purchase of treasury shares		
Repayment of loans and advances	- 428	- 553
Interest	- 180	- 151
<b>Net cash flows provided / (used) by financing activities</b>	<b>- 575</b>	<b>- 685</b>
Total cash flow	- 170	3,280
Cash at the period beginning	4,145	5,842
Cash at period end, including:	3,974	9,122
- limited use cash		

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**5. Consolidated Statement of Changes in Equity**

	2011 as at 31/03/2011	2010 As at 31/03/2010
Equity at period beginning (OB)	55,354	54,547
Equity at period beginning (OB), after reconciliation of comparable data	55,534	54,547
Share capital at period beginning	1,262	1,265
Changes in share capital		
Share capital at period end	1,262	1,265
Treasury shares at period beginning	0	- 3
Changes in treasury shares		
a) increase (due to)		
b) decrease (due to)		
Treasury shares at period end	0	- 3
Supplementary capital at period beginning	36,396	36,128
Changes in supplementary capital		
a) increase (due to)		
- from distribution of profits		
b) decrease (due to)		
Supplementary capital at period end	36,396	36,128
Revaluation reserve at period beginning	0	- 677
Revaluation reserve at period end	0	- 677
Other reserve capitals at period beginning	9,902	9,902
Change in other reserve capitals		
a) increase (due to)		
b) decrease (due to)		
Other reserve capitals at period end	9,902	9,902
Retained profit at period beginning	7,795	7,932
a) decrease (due to)		
- distribution of profits		
- dividend payment		
Retained profit at period end	7,795	7,932
Net result	2,620	626
net profit	2,620	626
Equity at period end (CB)	57,974	55,172

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**6. Selected separate financial data**

	in kPLN		in kEUR	
	2011 period from 01/01/2011 to 31/03/2011	2010 period from 01/01/2010 to 31/03/2010	2011 period from 01/01/2011 to 31/03/2011	2010 period from 01/01/2010 to 31/03/2010
I. Net revenue from the sale of services and goods	29,459	28,744	7,413	7,246
II. Operating profit (loss)	1,103	1,445	277	364
III. Gross profit (loss)	4,341	1,721	1,092	434
IV. Net profit (loss)	4,109	1,335	1,034	337
V. Net cash flows provided / (used) by operating activities	2,106	2,342	530	590
VI. Net cash flows provided / (used) by investing activities	-5,281	1,615	-1,329	407
VII. Net cash flows provided / (used) by financing activities	2,698	423	679	107
VIII. Total net cash flows	-477	4,380	-120	1,104
IX. Total assets	113,341	111,340	28,251	28,828
X. Liabilities and provisions for liabilities	56,180	56,294	14,003	14,576
XI. Long-term liabilities	3,706	3,800	924	984
XII. Short-term liabilities	48,250	49,003	12,027	12,688
XIII. Shareholder's equity	57,161	55,046	14,248	14,252
XIV. Share capital in PLN	1,261,924.60	1,265,000	314,545	327,534
XV. Average weighted number of shares (items)	6,309,623	6,309,623	6,309,623	6,309,623
XVI. Earnings per ordinary share (in PLN/EURO)	0.65	0.21	0.16	0.05
XVII. Diluted earnings per ordinary share (in PLN/EURO)	0.65	0.21	0.16	0.05
XVIII. Number of shares (items) less treasury shares/redeemed shares	6,309,623	6,309,623	6,309,623	6,309,623
XIX. Book value per ordinary share (in PLN/EURO)	9.06	8.72	2.26	2.26
XX. Diluted book value per ordinary share (in PLN/EUR)	9.06	8.72	2.26	2.26
XXI. Declared or paid dividend per share (in PLN/EUR)				

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**7. Separate Statement of Financial Position**

	2011 as at 31/03/2011	2010 As at 31/12/2010	2010 As at 31/03/2010
<b>A s s e t s</b>			
Fixed assets	52,273	51,520	48,459
Intangible fixed assets	21,692	21,797	21,655
Tangible fixed assets	3,376	3,731	4,429
Long-term receivables	720	753	729
Investments in subsidiaries	25,636	24,349	20,585
Deferred income tax assets	495	502	577
Long-term prepayments	355	387	484
Current assets	61,067	63,124	62,881
Inventories	11,205	12,833	12,815
Trade receivables and other receivables	36,034	40,479	35,921
Financial assets	9,969	5,879	8,173
Prepayments	639	236	680
Cash and cash equivalents	3,221	3,697	5,293
<b>Total assets</b>	<b>113,341</b>	<b>114,644</b>	<b>111,340</b>
<b>E q u i t y &amp; L i a b i l i t i e s</b>			
Shareholder's equity	57,161	53,052	55,046
Share capital	1,262	1,262	1,265
Treasury shares			- 3
Supplementary capital	36,237	36,237	35,969
Reserve capital	9,902	9,902	9,902
Retained profit	5,651		6,578
Net profit	4,109	5,651	1,335
Liabilities and provisions for liabilities	56,180	61,592	56,294
Deferred tax liabilities	3,496	3,293	2,796
Provision for retirement benefits and similar benefits	10	10	10
Other provisions	717	757	685
Long-term liabilities	3,706	4,134	3,800
Short-term liabilities	48,250	53,397	49,003
<b>Total equity &amp; liabilities</b>	<b>113,341</b>	<b>114,644</b>	<b>111,340</b>



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**8. Separate Comprehensive Income Statement**

	2011 period from 01/01/2011 to 31/03/2011	2010 period from 01/01/2010 to 31/03/2010
Net revenue from sale	29,459	28,744
- from related parties		
Net revenue from the sale of products	21,807	20,750
Net revenues from the sale of goods	7,652	7,994
Sale costs	19,353	17,172
- from related parties		
Costs of products sold	12,068	9,754
Value of goods sold	7,285	7,418
Gross profit on sale	10,106	11,572
Sale costs	7,394	8,578
Administration costs	1,648	1,631
Other operating income	52	110
Other operating expense	14	28
Profit on operating activities	1,103	1,445
Financial income	3,370	985
Financial costs	131	709
Gross profit	4,341	1,721
Income tax	231	386
a) current part	22	33
b) deferred part	209	353
Net profit on continued activities	4,109	1,335
Other comprehensive income		
Other comprehensive income after taxation		
Total comprehensive income	4,109	1,335

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**9. Separate Cash Flow Statement**

	2011 period from 01/01/2011 to 31/03/2011	2010 period from 01/01/2010 to 31/03/2010
Gross profit	4,341	1,721
Total adjustments	- 2,235	621
Amortisation and depreciation	472	484
Interest and share in profits (dividends)	- 3,238	- 869
Profit on investment activities	5	- 87
Change in provisions	- 40	
Change in inventories	1,628	3,482
Change in receivables	4,478	3,177
Change in short-term liabilities, excluding loans	- 4,914	- 5,345
Change in prepayments and accruals	- 371	- 403
Paid income tax	- 255	- 378
Other adjustments		560
<b>Net cash flows provided / (used) by operating activities</b>	<b>2,106</b>	<b>2,342</b>
Cash flow from investing activity		
Inflows	8,652	1,893
Disposal of intangible and tangible fixed assets	79	87
From financial assets - interest	22	110
Repayment of loans	8,550	1,697
Outflows	- 13,932	- 278
Acquisition of intangible and tangible fixed assets	- 95	- 278
Purchase of financial assets in related parties	- 1,287	
Grant of advances	- 12,550	
<b>Net cash flows provided / (used) by investing activities</b>	<b>- 5,281</b>	<b>1,615</b>
Cash flow from financial activity		
Inflows	3,225	823
Dividend income	3,225	823
Loans and advances		
Other financial inflows		
Outflows	- 526	- 400
Purchase of treasury shares		
Dividend payment		
Repayment of loans	- 428	- 303
Interest	- 98	- 98
<b>Net cash flows provided / (used) by financing activities</b>	<b>2,698</b>	<b>423</b>
Total net cash flows	- 477	4,380
Cash at the period beginning	3,697	912
Cash at period end, including:	3,221	5,293
- limited use cash		

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**10. Separate Statement of Changes in Equity**

	2011 as at 31/03/2011	2010 As at 31/03/2010
Equity at period beginning (OB)	53,052	53,710
Equity at period beginning (OB), after reconciliation of comparable data	53,052	53,710
Share capital at period beginning	1,262	1,265
Changes in share capital		
Share capital at period end	1,262	1,265
Treasury shares at period beginning		- 3
Changes in treasury shares		
a) increase (due to)		
b) decrease due to the sale		
Treasury shares at period end		- 3
Supplementary capital at period beginning	36,237	35,969
Changes in supplementary capital		
a) increase (due to)		
- from distribution of profits		
b) decrease (due to)		
Supplementary capital at period end	36,237	35,969
Other reserve capitals at period beginning	9,902	9,902
Change in other reserve capitals		
a) increase (due to)		
b) decrease (due to)		
Other reserve capitals at period end	9,902	9,902
Retained profit at period beginning	5,651	6,578
b) decrease (due to)		
- from distribution of profits		
Retained profit at period end	5,651	6,578
Net result	4,109	1,335
a) total comprehensive income	4,109	1,335
Equity at period end (CB)	57,161	55,046

**11. Information about the Parent Company;**

Name:	<b>Tell</b>
Legal form:	<b>Spółka Akcyjna (Polish joint-stock company)</b>
Seat:	<b>61-362 Poznań, ul. Forteczna 19a</b>
Country of incorporation:	<b>Poland</b>
Basic objects of business:	<ul style="list-style-type: none"><li>- Telecommunications</li><li>- Wholesale of telecommunications equipment on a fee or contract basis</li><li>- Wholesale of office machinery and equipment</li><li>- Retail sale of telecommunications equipment</li><li>- Information technology</li><li>- Advertising</li></ul>
Registration authority:	
	District Court Poznań-Nowe Miasto i Wilda in Poznań, 8th Commercial Division of the National Court Register
Statistical number (REGON):	630822208

**12. Composition of the Management Board of the Company as at 31 March 2011**

Rafał Stempniewicz	- President of the Management Board
Stanisław Górski	- Member of the Management Board
Robert Krasowski	- Member of the Management Board

**13. Composition of the Supervisory Board of the Company as at 31 March 2011**

Paweł Turno	- Chairman of the Supervisory Board
Piotr Karmelita	- Member of the Supervisory Board
Mariola Więckowska	- Member of the Supervisory Board
Tomasz Buczak	- Member of the Supervisory Board
Tomasz Grabiak	- Member of the Supervisory Board

**14. Description of the accounting policies, including the methods of measurement of assets, equity and liabilities (depreciation & amortisation); measurement of the financial result**

These quarterly consolidated annual financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") and IFRS as endorsed by the European Union (EU). As at the date of the approval of this statement, considering the existing process of implementation of IFRS standards in the EU and the Group's operations, there are no differences between the IFRS standards that have come into effect and IFRS standards approved by the EU as regards the accounting principles applied by the Group.

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IFRS comprise standards and interpretations accepted by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”).

These quarterly financial statements have been prepared in accordance with the historical cost method.

These quarterly separate financial statements should be analysed together with the consolidated financial statements for the financial year ended on 31 December 2010.

These financial statements were prepared in Polish zlotys (“PLN”), and all values are given in thousands PLN, unless otherwise indicated.

The financial statements were prepared applying the same accounting policies to the current period and the comparative period.

Below are presented the new IFRIC standards and interpretations published by the International Accounting Standards Board and effective for financial years beginning on or after 01 January 2011.

IAS 24 Related Party Disclosures.

Amendment to IAS 32 Financial Instruments: Presentation: Classification of Issue Rights.

Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments of a Minimum Funding Requirements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

Amendments to IFRS effective mostly for annual periods beginning on or after 01 January 2011.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters.

According to the Management Board, the introduction of the above standards and interpretations will not have a significant impact on the accounting policies applied by the Group, save additional or new disclosures.

Below are presented the new standards and IFRIC interpretations published by the International Accounting Standards Board that are not, however, effective for the current reporting period.

The first phase of IFRS 9 Financial Instruments; Classification and Measurement – effective for annual periods beginning on or after 01 January 2013.

Amendments to IFRS 7 Financial Instruments; Disclosures; Transfer of Financial Assets – effective for periods beginning on or after 01 July 2011.

Amendments to IAS 12 Income Taxes: Recovery of Underlying Assets - effective for the periods beginning on or after 01 January 2012.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – effective for periods beginning on or after 1 July 2011.

In accordance with the estimates made, the above-mentioned standards, interpretations and amendments to standards would not have had a significant impact on the financial statements if they had had been applied by the Group as at the balance sheet date.

**15. Average PLN exchange rates;**

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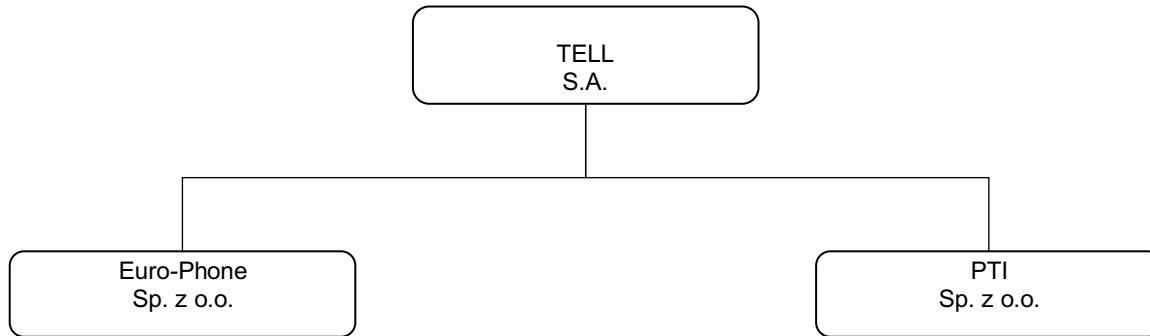
In order to express particular balance sheet items in EURO, a conversion of the values in domestic currency was made at the exchange rate as at the period end:

- for conversion of balance sheet data as at 31/03/2010, the following exchange rate was applied: EUR 1 = PLN 3.8622, in accordance with conversion table of the National Bank of Poland No. 63/A/NBP/2010 of 31/03/2010.
- for conversion of balance sheet data as at 31/03/2011, the following exchange rate was applied: EUR 1 = PLN 4.0119, in accordance with conversion table of the National Bank of Poland No. 63/A/NBP/2010 of 31/03/2011.

The income statement and cash flow statement data expressed in EUR were converted by dividing the data in Polish currency by the average exchange rate in the given period:

- to determine the income statement and cash flow statement data for 2010, the following exchange rate was applied: EUR 1 = PLN 3.9669, which is an arithmetical average of exchange rates announced by the National Bank of Poland as at the last day of each one of the three months covered by the quarterly statements.
- to determine the income statement and cash flow statement data for 2011, the following exchange rate was applied: EUR 1 = PLN 3.9742, which is an arithmetical average of exchange rates announced by the National Bank of Poland as at the last day of each one of the three months covered by the quarterly statements.

**16. Description of the Group organisation, indication of consolidated companies;**



Euro-Phone Sp. z o.o.

- Seat of the Company: ul. Taneczna 18c, 02-829 Warszawa,
- Basic object of business: Agents specialised in the sale of other particular products (Polish Classification of Economic Activities of 2007 - 4618Z),
- Company's legal basis: The Company was established on 19 March 1998 (Notarised deed No. A 2699/98). The registration authority is the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, KRS 0000010796. Incorporation date: 25 May 2001, In Euro-Phone Sp. z o.o., Tell S.A, holds 100% of shares.

PTI Sp. z o.o.

Seat of the Company: ul. Glogera 5, 31-222 Kraków,

- Basic object of business: Agents specialised in the sale of other particular products (Polish Classification of Economic Activities of 2007 - 4618Z),
- Company's legal basis: The Company was established on 12 July 2007 (Notarised deed No. A 5675/2007). Registration authority: District Court for Krakow - Śródmieście in Krakow, 11th Commercial Division of the National Court Register, KRS 0000286046. Date of incorporation: 13 August 2007. In PTI Sp. z o.o., Tell S.A, holds 100% of shares.

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Toys4Boys Pl. Sp. z o.o.

Seat of the Company: ul. Nowy Świat 11B, 80-299 Gdańsk,

- Basic object of business: Retail sale via mail order houses or via Internet (Polish Classification of Economic Activities of 2007 – 4791Z),
- Company's legal basis: The Company was established on 16 February 2007 (Notarised deed No. A5029/2007). Registration authority: District Court for Gdańsk - Północ in Gdańsk, 7th Commercial Division of the National Court Register, KRS 0000276286. Incorporation date: 12 March 2007, Tell S.A. holds in Toys4Boys. Pl Sp. z o.o. 30% of shares.

Tell S.A. holds shares in Connex Sp. z o.o., a company that is not consolidated. As at the date of these statements, Connex Sp. z o.o. does not carry on any economic activity.

The consolidation covers the following companies: Euro-Phone Sp. z o.o. and PTI Sp. z o.o.

**17. Indication of consequences of changes in the company structure, including mergers, take-overs or sales of the companies of the Issuer's Group, long-term investments, divisions, restructuring and discontinuations;**

On 15 March 2011, Tell S.A. acquired 30% of shares in the increased share capital of Toys4Boys.Pl Sp. z o.o. with registered office in Gdańsk for PLN 1,287,000. The investment contract stipulates also the acquisition of further shares from the existing shareholders of the Company for the total of PLN 900,000, constituting together with the previously taken-over shares 51% of the share capital and entitling to 51% votes at the General Meeting of Shareholders.

The Company is the gift and gadget market leader. It runs 8 stores localised in commercial centres as well as an Internet shop. The transaction is an element of diversification of the issuer's revenues.

**18. Information about changes in estimates, adjustments of provisions, deferred tax assets and liabilities, impairment losses;**

	As at 31/03/2011	As at 31/12/2010	Change
Deferred income tax assets	1,057	874	182
Deferred tax liabilities	4,954	4,251	704
Provision for retirement benefits and similar benefits	39	39	0
Other provisions	981	1,126	- 145

**19. Most important achievements of the Group in Q1 2011;**

**Size of the Sale Network.**

The average number of Orange stores where the sale of the services of PTK Centertel Sp. z o.o. is effected in the first quarter of 2011 amounted to 231 (as at 31/03/2011 - 230 stores), as compared to the average number in the first quarter of 2010 of 237 stores (as at 31/03/2010 - 237 stores).

The number of stores run by the subsidiaries where the services of other operators are sold amounted to, as at the end of 31/03/2011 – 205 stores, as compared to 159 stores as at the end of 31/03/2010. Among the above-mentioned stores, there were 98 (as at the end of the first quarter of 2010 - 48) offering the services of Polkomtel S.A. (PLUS network operator) and 107 (as at the end of the first quarter of 2010 - 111) offering the services of Polska Telefonia Cyfrowa Sp. z o.o. (ERA network operator).

**Separate results of TELL SA on current activities.**

In Q1 2011, TELL SA's revenue from sale amounted to kPLN 29.459 and was higher by 2.5% than in the corresponding period of the previous year.

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The Q1 2011 gross profit was kPLN 10.106 and was lower than in the corresponding period of the previous year by 12.7%.

In Q1 2011, EBIT amounted to kPLN 1.103 and was lower by 23.7% than in the corresponding period of the previous year.

In Q1 2011, EBITDA amounted to kPLN 1.574 and was lower by 18.4% than in the corresponding period of the previous year.

The Q1 2011 net profit was kPLN 4.109 and was higher than in the corresponding period of the previous year by 207.7%. The growth in financial income from dividends received from subsidiaries and, at the same time, a decrease in financial expenses when compared to Q1 2010, had a significant influence on the net profit generated in the first quarter of 2011.

**Consolidated results of TELL SA Group on current activities.**

In Q1 2011, the Group's revenue from sale amounted to kPLN 79,060 and was higher by 17.9% than in the corresponding period of the previous year.

The Q1 2011 gross profit on sale amounted to kPLN 18,868 and was higher than in the corresponding period of the previous year by 14.3%.

In Q1 2011, EBIT amounted to kPLN 3,386 and was higher by 30.6% than in the corresponding period of the previous year.

In Q1 2011, EBITDA amounted to kPLN 4,030 and was higher by 23.9% than in the corresponding period of the previous year.

The Q1 2011 net profit was kPLN 2.620 and was higher than in the corresponding period of the previous year by 318.9%. Apart from the above-mentioned increase in the number of stores, the decrease in financial expenses when compared to the first quarter of 2010 had a significant influence on the net profit generated..

The sale structure of the Tell S.A. Group in terms of value and quantity:

Revenue from the sale of products and goods (in kPLN)	2011 Quarter I	2010 Quarter I	Change Q1 2011 /Q1 2010
Revenue from the sale of telecommunication services	35,181	29,546	119.07%
Sets and pre-paid refillments	7,414	7,219	102.70%
Postpaid contract phones	33,605	27,432	122.50%
Other revenue	2,860	2,865	99.84%
Total	79,060	67,061	117.89%

Service sale volume	2011 Quarter I	2010 Quarter I	Change Q1 2011 /Q1 2010
Postpaid activations	180,176	167,244	107.73%
Prepaid activations	44,301	34,634	127.91%
Total	224,477	201,878	111.19%

**20. Description of factors and events, in particular non-typical ones, that had a significant influence on the financial results achieved;**



There were no non-typical factors or events.

**21. Explanations concerning the seasonal or cyclic character of the issuer's activities in the presented period;**

The seasonal character of sales of mobile phone services is visible mainly in the growth of sale in the fourth quarter, particularly 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.

**22. Information concerning the issue, redemption or repayment of non-share and equity instruments;**

Not applicable.

**23. Information on the dividends paid, in total and as divided per share, with a breakdown into ordinary and preferential shares;**

By virtue of Resolution No. 16/2011 of 28 April 2011, the General Meeting of Shareholders of Tell S.A. decided to distribute the net profit disclosed in the 2010 financial statements in an amount of PLN 5.650.775,48 as follows:

- payment of dividend in the amount of PLN 0.80 per one share in the Company,
- supplementary capital in the amount remaining after the payment of the dividend.

The dividend day was determined to be 18 May 2011, and the dividend payment date - 01 June 2011.

Number of shares covered by the dividend is 6.309.623, the dividend amount is PLN 5,047,698.40.

**24. Indication of events that occurred after the date of the financial statements that were not recognised in the statement but could significantly influence the future financial results of the issuer;**

By the date of these Q1 2011 financial statements there have occurred no events that were not but should have been recognised in the accounting books of the reporting period. Additionally, these financial statements do not comprise any significant events concerning the previous years.

**25. Information on changes in contingent liabilities that occurred in the period after the end of the last financial year;**

In the period from the end of the last financial year to the date of these Q1 2011 financial statements there were no new guarantees made.

**26. Position of the Management Board concerning the possibility of achievement of the forecasts for the given year published earlier in the light of the results presented in the quarterly statements compared to the forecasted results;**

The Management Board of Tell S.A. did not publish the forecasts of results for 2011.

**27. 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 the quarterly report, 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 as well as indication of changes in the shareholding structure concerning significant blocks of shares in the issuer after the presentation of the previous quarterly statements.**

Due to the fact that the Company does not publish the quarterly statements for Q4, the last published quarterly statements are the statements for the third quarter 2010. In the period from the presentation of the previous quarterly statements to the presentation of the statements for Q1 2011, there were changes in the number of shares and a

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change in the number of votes held by shareholders . In accordance with the request of a shareholder, 70,000 series A registered shares were converted into bearer shares. The shares subject to the conversion were preferential in terms of voting rights; each share entitled to two votes. After the conversion, the preference expired. After the conversion, the total number of votes at the general meeting of shareholders amounts to 8,356.248. In result of the share conversion, the share capital did not change and amounts to PLN 1,261,924.60. The changes are presented in the tables below.

Shareholders holding at least 5% of votes at the General Meeting of Shareholders as at the date of the presentation of these Q1 2010 statements.

Shareholder	Number of registered shares	Number of bearer shares	Total shares	Number of votes per registered shares	Number of votes per bearer shares	Total votes	% of share capital	% of votes
BBI Capital NFI S.A.	1,429,750		1,429,750	2,859,500		2,859,500	22.66%	33.94%
Havo Sp. z o.o.		675,000	675,000		675,000	675,000	10.70%	8.01%
Rafał Stempniewicz	175,000	122,280	297,280	350,000	122,280	472,280	4.71%	5.60%
AVIVA Investors FIO		423,549	423,549		423,549	423,549	6.71%	5.03%
Quercus Parasolowy SFIO		503,109	503,109		503,109	503,109	7.97%	5.97%
	1,604,750	1,723,938	3,328,688	3,209,500	1,723,938	4,933,438	52.76%	58.55%

Shareholders holding at least 5% of votes at the General Meeting of Shareholders as at the date of these Q1 2011 statements.

Shareholder	Number of registered shares	Number of bearer shares	Total shares	Number of votes per registered shares	Number of votes per bearer shares	Total votes	% of share capital	% of votes
BBI Capital NFI S.A.	1,429,750		1,429,750	2,859,500		2,859,500	22.66%	34.22%
Havo Sp. z o.o.		675,000	675,000		675,000	675,000	10.70%	8.08%
Rafał Stempniewicz	175,000	122,280	297,280	350,000	122,280	472,280	4.71%	5.65%
AVIVA Investors FIO* AVIVA Investors SFIO		657,672	657,672		657,672	657,672	10.42%	7.87%
Quercus Parasolowy SFIO, Quercus Absolute Return FIZ		888,235	888,235		888,235	888,235	14.08%	10.63%
	1,604,750	2,343,187	3,947,937	3,209,500	2,343,187	5,552,687	62.57%	66.45%

\* Number of shares held by the Funds represented at the Ordinary General Meeting of Shareholders on 28 April 2011.

**28. List of issuer's shares and share entitlements held by the persons managing or supervising the issuer as at the date of the presentation of the quarterly statements, and an indication of changes in the shareholding structure in the period after the presentation of the previous quarterly statements - separately for each one of these persons;**

In the period from the presentation of the Q3 2010 statements to the presentation of the Q1 2011 statements, there were changes in the number of shares and a change in the number of votes held by shareholders . The changes are presented in the tables below.

List of shares held by persons managing or supervising the issuer as at the date of these Q3 2010 statements.

Shareholder	Total shares	Total votes	% of share capital	% of votes
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Members of the Supervisory Board				
Paweł Turno	226,250	396,875	3.58%	4.71%
Managing Persons				
Rafał Stempniewicz	297,280	472,280	4.71%	5.60%
Stanisław Górski	7,548	7,548	0.12%	0.09%
Robert Krasowski	29,981	29,981	0.47%	0.36%
	561,059	906,684	8.88%	10.76%

List of shares held by persons managing or supervising the issuer as at the date of these Q1 2011 statements.

Shareholder	Total shares	Total votes	% of share capital	% of votes
Members of the Supervisory Board				
Paweł Turno	170,625	341,250	2.70%	4.08%
Managing Persons				
Rafał Stempniewicz	297,280	472,280	4.71%	5.65%
Stanisław Górski	7,548	7,548	0.12%	0.09%
Robert Krasowski	29,981	29,981	0.47%	0.36%
	505,434	851,059	8.00%	10.18%

**29. Indication of court, arbitration or public administration proceedings with information on the scope thereof;**

Both Tell S.A. and its 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 issuer. 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 Company or its subsidiaries before any arbitration court.

**30. Information on the conclusion by the issuer or its subsidiary of one or more related party transactions, if such transactions, separately or jointly, are material and have been entered into upon terms and conditions other than at arm's length, excluding transactions entered into by a fund-issuer with its related party, whereby the information concerning particular transactions may be grouped by type, with an exception of the case when information on particular transactions is necessary in order to understand their impact on the property, financial position or financial results of the issuer;**

The transactions between the Group Companies are arm's length transactions.

As at the balance sheet date, the total of loans extended by Tell S.A. to its subsidiaries amounted to kPLN 9,082. In the analysed period, the subsidiaries received loans in the amount of kPLN 12,550, and the loans repaid amounted to kPLN 8,550. In total, Tell S.A. received interest in the amount of kPLN 22 and as at the balance sheet date it accrued interest in the amount of kPLN 90. The loan and interest transactions with related parties are deconsolidated in the quarterly consolidated financial statements.

Transactions are made at arm's length. The loans are granted at variable interest rates calculated as the sum of the following components: interest rate determined as above plus a margin of 3.5% to 7%. The interest rate changes with each first day of a calendar month of the contract validity pro rata to the reference rate calculated and rounded up/down to the second digit on the basis of the arithmetical average of 1M WIBOR for deposits over the last 10 working days of the previous calendar month.

**31. Information about loan collaterals or guarantees granted by the issuer or its subsidiary - in total to one entity or such entity's subsidiary, if the total value of the existing collaterals or guarantees constitutes an equivalent of at least 10 % of the issuer's equity;**

Entity/Bank	Type of liability	Value as at in kPLN	Security
		31/03/2011	
PTC Sp. z o.o.	merchant's loan	up to the debt amount	guarantee for Euro-Phone Sp. z o.o
Bank DnD Nord Polska S.A.	guarantee line facility	1,600	guarantee for Euro-Phone Sp. z o.o.
Bank DnD Nord Polska S.A.	loan	7,500	guarantee for Euro-Phone Sp. z o.o.
Alior Bank S.A.	liability due to a limit for guarantee-type products	1,500	guarantee for PTI Sp. z o.o.

**32. Other information that in the issuer's opinion are important in the assessment of its HR, property, financial position or financial result (and changes thereto) as well as information that are significant for the assessment of the issuer's capacity to discharge its obligations;**

The statements contain basic information that is significant in the assessment of the situation of the TELL S.A. Group, however, with a view of presenting the whole picture, also the remuneration system, including the deferred commission system, related to the sale of activations as well as a system of registering the revenue and costs related to the sale of mobile phones as part of the postpaid services was presented.

**Change of the commission system in Tell SA**

As of 01 February 2011, in relation with the conclusion by and between Tell SA and PTK Centertel of a new agency agreement superseding the previous contracts, the Tell S.A.'s remuneration system was amended. In consequence, the previous system of the so-called deferred commissions payable in instalments (1st month and 6th month commission) was replaced by a system, where the dominating commission component is the monthly commission supplemented by the so-called quarterly bonus. The crucial difference between the present and the previous remuneration system is that currently all other commission components exceeding the monthly commission result from the achievement of the goals within a defined period of time and are not payments of amounts earned in the previous periods.

In the previous commission system, the Company received the first part of the commission in the month when an activation is sold (the so-called monthly commission) and the second part in the sixth month after the sale of the given activation (the so-called 6th month commission). Until 30 June 2011, besides the new commission system, the Company will continue to receive the deferred 6th month commissions for the activations sold by 31 January 2011. Estimated revenues on this account until 30 June 2011 will amount to approx. PLN 2,807,083, and the Issuer's margin remaining after the payments of sub-agents' commissions, is estimated at PLN 1,525,674.

**Methods of settling subsidies to postpaid phones in contracts with particular operators**

In order to ensure the correct interpretation of the separate and consolidated financial results of the Tell S.A. Group companies, it is necessary to explain different ways of recognition in the books of the Group companies of subsidiaries 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 - PTK Centertel Sp. z o.o.**

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.

ERA network operator - Polska Telefonia Cyfrowa Sp. z o.o.

The sale system similar to the one described above is also in place with regard to the ERA network operator. In relation with the above, the revenue and costs related to the sale of mobile phones are registered in promotional prices.

**PLUS network operator – Polkomtel S.A.**

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, it shows a much higher revenue and costs from a similar transaction than other Group companies.

- 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 the company 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 revenue from the sale and high costs of sale when compared to other Group companies.

**33. Indication of factors that, in the issuer's opinion, will have their impact on its results within the perspective of at least the next quarter.**

The basic factors that will influence the results of the TELL S.A. Group in the nearest future are the demand for mobile phone services, in particular its seasonal character (cf. sec. 21 herein above), and the related level of performance of the sale plan imposed on the Group companies by the mobile phone operators.

Rafał Stempniewicz

Stanisław Górski

Robert Krasowski

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President of the Management Board  
Member of the Management Board

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Member of the Management Board