

**CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF  
THE TELL S.A. GROUP  
FOR THE PERIOD FROM 01 JANUARY 2011 TO 31 DECEMBER 2011**

POZNAŃ , 12 MARCH 2012

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

## CONTENTS

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF .....	1
THE TELL S.A. GROUP .....	1
FOR THE PERIOD FROM 01 JANUARY 2011 TO 31 DECEMBER 2011 .....	1
CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....	5
CONSOLIDATED ANNUAL COMPREHENSIVE INCOME STATEMENT .....	6
CONSOLIDATED ANNUAL CASH FLOW STATEMENT .....	7
CONSOLIDATED ANNUAL STATEMENT OF CHANGES IN EQUITY.....	8
SELECTED FINANCIAL DATA CONVERTED INTO EUR .....	9
INTRODUCTION TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD FROM 01/01/2011 TO 31/12/2011 .....	10
1. GENERAL INFORMATION.....	10
1.1. BASIC INFORMATION ABOUT THE PARENT COMPANY.....	10
1.2. PRESENTED PERIODS.....	10
1.3. COMPOSITION OF THE BODIES OF THE PARENT COMPANY AS AT 31 DECEMBER 2011.....	10
1.4. CHARTERED AUDITORS .....	11
1.5. QUOTATIONS AT THE REGULATED MARKET.....	11
1.6. TELL S.A. GROUP AS AT 31 DECEMBER 2011 .....	11
1.7. DECLARATION OF THE PARENT COMPANY.....	12
1.8. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS.....	13
1.9. COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS. ....	13
1.10. SEASONAL AND CYCLIC CHARACTER OF THE ACTIVITIES .....	13
1.11. GOING CONCERN AND COMPARABILITY OF FINANCIAL STATEMENTS .....	13
2. ACCOUNTING POLICIES APPLIED .....	13
2.1. ACCOUNTING POLICIES.....	13
2.2. PRESENTATION OF THE FINANCIAL STATEMENTS.....	13
2.3. CONSOLIDATION BASIS AND CONSOLIDATION PRINCIPLES.....	13
2.4. MATERIAL VALUES BASED ON PROFESSIONAL JUDGEMENT AND ESTIMATIONS.....	14
2.5. INTANGIBLE FIXED ASSETS.....	15
2.6. GOODWILL .....	15
2.7. TANGIBLE FIXED ASSETS.....	15
2.8. LEASE .....	15
2.9. INVENTORIES.....	16
2.10. BORROWING COSTS.....	16
2.11. FINANCIAL INSTRUMENTS.....	16
2.12. EQUITY INSTRUMENTS.....	17
2.13. PROVISIONS.....	17
2.14. PREPAYMENTS.....	17
2.15. COSTS OF ACQUISITION OF NEW ENTITIES.....	18
2.16. SALE REVENUES.....	18
2.17. COSTS OF FUTURE RETIREMENT BENEFITS .....	18
2.18. TAXES .....	19
2.19. THE COMPANY'S SOCIAL BENEFIT FUND.....	19
2.20. FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY.....	19
2.21. BALANCE SHEET, INCOME STATEMENT AND CASH FLOW STATEMENT ITEMS CONVERSION PRINCIPLES.....	19
2.22. CHANGES IN ACCOUNTING POLICIES.....	20
2.23. NEW STANDARDS PENDING IMPLEMENTATION BY THE COMPANY.....	21
SUPPLEMENTARY NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS.....	23
NOTE NO. 1.....	23
OPERATING SEGMENTS .....	23
NOTE NO. 2 .....	23
GOODWILL.....	23
NOTE NO. 3.....	27
GOODWILL IMPAIRMENT TEST.....	27
NOTE NO. 4.....	28
INTANGIBLE ASSETS.....	28
NOTE NO. 5.....	29
TANGIBLE FIXED ASSETS.....	29
NOTE NO. 6.....	31

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

SUBSIDIARIES .....	31
NOTE NO. 7.....	32
FINANCIAL ASSETS AND LIABILITIES.....	32
NOTE NO. 8.....	33
LONG-TERM RECEIVABLES .....	33
NOTE NO. 9.....	34
INVENTORIES.....	34
NOTE NO. 10.....	34
TRADE RECEIVABLES AND OTHER RECEIVABLES.....	34
NOTE NO. 11.....	35
PREPAYMENTS.....	35
NOTE NO. 12.....	35
CASH AND CASH EQUIVALENTS.....	35
NOTE NO. 13.....	36
OTHER HELD-TO-MATURITY FINANCIAL ASSETS.....	36
NOTE NO. 14.....	36
SHARE CAPITAL OF THE PARENT COMPANY .....	36
NOTE NO. 15.....	36
TREASURY SHARES.....	36
NOTE NO. 16.....	37
SUPPLEMENTARY CAPITAL.....	37
NOTE NO. 17.....	37
RESERVE CAPITALS.....	37
NOTE NO. 18.....	37
INFORMATION ON THE DIVIDENDS PAID (OR DECLARED), IN TOTAL AND AS DIVIDED PER SHARE, WITH A BREAKDOWN INTO ORDINARY AND PREFERENTIAL SHARES.....	37
NOTE NO. 19.....	37
PROVISIONS.....	37
NOTE NO. 20.....	38
TRADE LIABILITIES AND OTHER LIABILITIES.....	38
NOTE NO. 21.....	39
LOANS AND ADVANCES.....	39
NOTE NO. 22.....	41
OPERATING LEASE AND FINANCIAL LEASE CONTRACT CONTINGENT LIABILITIES.....	41
NOTE NO. 23.....	41
LIABILITIES OF THE COMPANY'S SOCIAL BENEFIT FUND.....	41
NOTE NO. 24.....	41
INCOME TAX.....	41
NOTE NO. 25.....	42
DEFERRED INCOME TAX.....	42
NOTE NO. 26.....	43
REVENUE FROM SALE IN THE REPORTING PERIOD.....	43
NOTE NO. 27.....	44
FINANCIAL INCOME AND EXPENSES.....	44
NOTE NO. 28.....	45
OPERATING REVENUE AND COSTS.....	45
NOTE NO. 29.....	46
DISCONTINUED OPERATIONS.....	46
NOTE NO. 30.....	47
EARNINGS PER SHARE.....	47
NOTE NO. 31.....	47
BOOK VALUE OF ONE SHARE.....	47
NOTE NO. 32.....	47
CASH FLOW STATEMENT.....	47
NOTE NO. 33.....	48
INFORMATION ON RELATED ENTITIES .....	48
NOTE NO. 34.....	48
REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF THE PARENT COMPANY (KAY MANAGEMENT PERSONNEL).....	48
NOTE NO. 35.....	49
STRUCTURE OF EMPLOYMENT OF THE GROUP .....	49
NOTE NO. 36.....	49
EVENTS AFTER THE BALANCE SHEET DATE .....	49
NOTE NO. 37.....	49
INFORMATION ABOUT FINANCIAL INSTRUMENTS.....	49
NOTE NO. 38.....	50

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

<i>GOALS AND PRINCIPLES OF CREDIT RISK MANAGEMENT</i> .....	50
<i>NOTE NO. 39</i> .....	51
<i>CAPITAL MANAGEMENT – IAS 1.134A</i> .....	51
<i>NOTE NO. 40</i> .....	52
<i>LITIGATIONS IN COURT</i> .....	52
<i>NOTE NO. 41</i> .....	52
<i>INFORMATION ON TRANSACTIONS WITH THE AUDITOR OF THE FINANCIAL STATEMENTS</i> .....	52

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	2011 As at 31/12/2011	2010 As at 31/12/2010
<b>Assets</b>			
Fixed assets		66,788	66,541
Intangible fixed assets	3-5	485	632
Goodwill	2.5	57,581	57,481
Tangible Fixed Assets	6	5,059	5,908
Interests in related parties	7	1,287	
Long-term receivables	8.9	1,184	1,258
Deferred income tax assets	26	888	874
Long-term prepayments	12	304	387
Current assets		77,943	81,592
Inventories	10	12,744	15,461
Trade receivables and other receivables	8.11	52,882	61,489
Accruals	12	321	274
Financial assets	8.14	22	224
Cash and Cash Equivalents	8.13	11,975	4,145
<b>Total assets</b>		<b>144,731</b>	<b>148,133</b>
<b>Equity &amp; Liabilities</b>			
Shareholder's equity	32	59,732	55,354
Share capital	15	1,262	1,262
Supplementary capital	17	36,999	36,396
Reserve capital	18	9,902	9,902
Retained profit		2,144	677
Net profit	31	9,426	7,117
Long-term liabilities		9,712	10,334
Loan liabilities	8.22	3,840	6,051
Employee benefits liabilities	20	36	33
Deferred tax liabilities	26	5,837	4,251
Short-term liabilities		75,288	82,444
Loan liabilities	8.22	1,856	1,711
Trade liabilities and other liabilities	8.21	72,070	79,017
Income tax liabilities	21	184	584
Employee benefits liabilities	20	767	658
Provisions	20	411	473
<b>Total equity &amp; liabilities</b>		<b>144,731</b>	<b>148,133</b>

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

### CONSOLIDATED ANNUAL COMPREHENSIVE INCOME STATEMENT

	Notes	2011 period from 01/01/2011 to 31/12/2011	2010 period from 01/01/2010 to 31/12/2010
Net revenues from sale		287,668	307,371
Net revenues from the sale of services	28	173,645	179,901
Net revenues from the sale of goods	28	114,023	127,469
Sale costs		221,523	234,451
Costs of services sold		109,857	108,639
Value of goods sold		111,666	125,812
Gross profit on sale		66,145	72,919
Sale costs	30	41,289	45,883
Administration costs	30	11,721	12,437
Other operating income	30	1,055	766
Other operating expense	30	1,554	3,028
Profit on operating activities		12,636	12,336
Financial income	29	238	223
Financial costs	29	956	2,328
Loss on account of control loss settlement			549
Gross profit		11,917	9,684
Income Tax		2,492	2,566
a) current part	26	918	1,044
b) deferred part	26	1,573	1,523
Net profit on continued activities		9,426	7,117
Other comprehensive income			
Other comprehensive income after taxation			
Total comprehensive income	31	9,426	7,117

Net profit assigned to the shareholders of Tell S.A.	31	9,426	7,117
Net profit assigned to non-controlling shares	31	0	0

Total comprehensive income assigned to the shareholders of Tell S.A.	31	9,426	7,117
Total comprehensive income assigned to non-controlling shares	31	0	0

Earnings per share in PLN (basic and diluted)	31	1.49	1.13
Average weighed number of shares (basic and diluted) in thousands	31	6,309.6	6,309.6

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

## CONSOLIDATED ANNUAL CASH FLOW STATEMENT

	2011 period from 01/01/2011 to 31/12/2011	2010 period from 01/01/2010 to 31/12/2010
Gross profit	11,917	9,684
Total adjustments	6,320	6,555
Amortisation and depreciation	2,088	2,498
Exchange difference loss	7	
Interest and share in profits (dividends)	661	764
Profit on investment activities	350	49
Change in provisions	48	261
Change in inventories	2,717	4,046
Change in receivables	8,758	-1,839
Change in short-term liabilities	- 7,048	152
Change in prepayments and accruals	136	244
Paid income tax	- 1,397	- 729
Adjustments	-1	1,108
Net cash flows provided by operating activities	18,237	16,238
Cash flow from investing activity		
Inflows	2,786	1,023
Disposal of tangible fixed assets	304	547
From financial assets, including interest	68	39
Repayment of short-term loans granted	2,415	437
Outflows	- 5,367	- 10,757
Acquisition of intangible and tangible fixed assets	- 1,845	- 9,385
Acquisition of shares	- 1,287	-1,000
Settlement of the loss of control over Connex		- 339
Grant of a short-term loan	- 2,236	- 33
Net cash flows provided / (used) by investing activities	- 2,581	- 9,734
Cash flow from financial activity		
Inflows		405
Loans and credits		405
Interest		
Outflows	- 7,825	- 8,945
Dividend payment	- 5,048	- 6,310
Repayment of loans	- 2,066	-1,833
Interest	- 705	- 802
Other financial expenses	- 7	
Net cash flows provided / (used) by financing activities	- 7,825	- 8,540
Total cash flow	7,830	- 2,036
Cash at the period beginning	4,145	6,181
Cash at period end, including:	11,975	4,145
- limited use cash		

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

## CONSOLIDATED ANNUAL STATEMENT OF CHANGES IN EQUITY

	2011 period from 01/01/2011 to 31/12/2011	2010 period from 01/01/2010 to 31/12/2010
Equity at period beginning	55,354	54,547
Equity at period beginning, after reconciliation of comparable data	55,354	54,547
Share capital at period beginning	1,262	1,265
Changes in share capital – redemption of treasury shares		- 3
Share capital at period end	1,262	1,262
Treasury shares at period beginning		- 3
Changes in treasury shares		
a) increase (due to):		
a) decrease due to sale/redemption		3
Treasury shares at period end	0	0
Supplementary capital at period beginning	36,396	36,128
Changes in supplementary capital	603	268
a) increase (due to):	603	268
- from distribution of profits	603	268
b) decrease (due to):		
Supplementary capital at period end	36,999	36,396
Revaluation reserve at period beginning	0	- 677
Changes in revaluation reserve - presentation adjustment due to loss of control over Connex Sp. z o.o.		- 677
Revaluation reserve at period end	0	0
Reserve capitals at period beginning	9,902	9,902
Changes in reserve capitals		
a) increase (due to):		
b) decrease (due to):		
Reserve capitals at period end	9,902	9,902
Retained profit at period beginning	7,795	7,932
a) adjustment of fundamental errors		
Retained profit at period beginning, after data reconciliation	7,795	7,932
b) decrease (due to) profit distribution	5,651	7,255
- from distribution of profits	603	268
- dividend payment	5,048	6,310
- presentation adjustment due to loss of control over Connex Sp. z o.o.		677
Retained profit at period end	2,144	677
Total comprehensive income	9,426	7,117
a) net profit	9,426	7,117
b) other comprehensive income	0	0
Total equity at period end	59,732	55,354
Equity assigned to the shareholders of Tell S.A.	59,732	55,354
Equity assigned to non-controlling shares	0	0



Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

## SELECTED FINANCIAL DATA CONVERTED INTO EUR

	in kPLN		in k EUR	
	2011 period from 01/01 to 31/12/2011	2010 period from 01/01 to 31/12/2010	2011 period from 01/01 to 31/12/2011	2010 period from 01/01 to 31/12/2010
I. Net revenues from the sale of products and goods	287,668	307,371	69,483	76,759
II. Profit on operating activities	12,636	12,336	3,052	3,081
III. Gross profit	11,917	9,684	2,878	2,418
IV. Net profit	9,426	7,117	2,277	1,777
V. Net cash flows provided / (used) by operating activities	18,237	16,238	4,405	4,055
VI. Net cash flows provided / (used) by investing activities	-2,581	-9,734	-623	-2,431
VII. Net cash flows provided / (used) by financing activities	-7,825	-8,540	-1,890	-2,133
VIII. Total net cash flows	7,830	-2,036	1,891	-508
IX. Total assets	144,731	148,133	32,768	37,154
X. Liabilities and provisions for liabilities	84,999	92,778	19,244	23,427
XI. Long-term liabilities	9,712	10,334	2,199	2,610
XII. Short-term liabilities	75,288	82,444	17,046	20,818
XIII. Shareholder's equity	59,732	55,354	13,524	13,884
XIV. Share capital in PLN	1,261,924.60	1,261,924.60	285,710	316,510
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)	1.49	1.13	0.36	0.28
XVII. Diluted earnings per ordinary share (in PLN/EURO)	1.49	1.13	0.36	0.28
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)	9.47	8.77	2.14	2.20
XX. Diluted book value per ordinary share (in PLN/EUR)	9.47	8.77	2.14	2.20
XXI. Declared or paid dividend per share (in PLN/EUR)				

The method of the calculation of the average PLN/EUR exchange rates in the reporting period is described in Note 2.21.

The consolidated annual financial statements were accepted by the Management Board of the Parent Company on 12 March 2012 and signed by the Management Board members:

Rafał Stempniewicz

Stanisław Górski

Robert Krasowski

-----  
 President of the Management Board    Member of the Management Board    Member of the Management Board

Signature of the person in charge of the books of account

Jolanta Stachowiak

-----

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Chief Accountant

## INTRODUCTION TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD FROM 01/01/2011 TO 31/12/2011 .

### 1. GENERAL INFORMATION

#### 1.1. BASIC INFORMATION ABOUT THE PARENT COMPANY

Name:	Tell
Legal form:	Spółka Akcyjna ( <i>Polish joint-stock company</i> )
Seat:	61-362 Poznań, ul. Forteczna 19a
Country of incorporation:	Poland
Basic objects of business:	<ul style="list-style-type: none"> <li>- other telecommunications activities,</li> <li>- retail sale of telecommunications equipment in specialised stores,</li> <li>- retail sale of computers, peripheral equipment and software in specialised stores,</li> <li>- wholesale of electronic and telecommunications equipment and parts,</li> <li>- wholesale of computers, peripheral equipment and software,</li> <li>- other retail sale not in stores, stalls or markets,</li> <li>- computer facilities management activities,</li> <li>- other business and management consultancy activities.</li> </ul>

Registration authority:

District Court Poznań- Nowe Miasto i Wilda, 8th Commercial Division of the National Court Register

Statistical number (REGON): 630822208

#### 1.2. PRESENTED PERIODS

The consolidated annual financial statements contain data for the period from 01 January 2011 to 31 December 2011. The comparable data are presented as at 31 December 2010 in case of the statement of financial position, for the period from 01 January 2010 to 31 December 2010 in case of the statement of comprehensive income, cash flow statement and statement of changes in equity.

#### 1.3. COMPOSITION OF THE BODIES OF THE PARENT COMPANY AS AT 31 DECEMBER 2011.

##### Management Board:

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

##### Changes in the Management Board:

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

In the financial year, the composition of the Management Board did not change.

#### Supervisory Board:

Paweł Turno	- Chairman of the Supervisory Board
Tomasz Grabiak	- Member of the Supervisory Board until 29/04/2011
Piotr Karmelita	- Member of the Supervisory Board
Mariola Więckowska	- Member of the Supervisory Board
Tomasz Buczak	- Member of the Supervisory Board until 12/12/2011
Marek Piątkowski	- Member of the Supervisory Board from 30/04/2011 to 12/12/2011
Adam Wojacki	- Member of the Supervisory Board from 12/12/2011
Łukasz Kręski	- Member of the Supervisory Board from 12/12/2011

#### Changes in the Supervisory Board:

In the financial year, the composition of the Supervisory Board changed. Mr Tomasz Grabiak resigned from running for the next term of office. Mr Marek Piątkowski was appointed the Supervisory Board member. The Extraordinary General Meeting of Shareholders recalled Mr Marek Piątkowski from the Supervisory Board on 12 December 2011 and at the same time appointed two new members of the Supervisory Board: Adam Wojacki and Łukasz Kręski. Mr Tomasz Buczak resigned from his function as a Supervisory Board member effective as of 12 December 2011.

#### 1.4. CHARTERED AUDITORS

Grant Thornton Frackowiak Sp. z o.o., Sp.k.  
ul. Abpa A. Baraniaka 88E  
61-131 Poznań

#### 1.5. QUOTATIONS AT THE REGULATED MARKET

##### 1. General:

<b>Stock Exchange:</b>	<b>The Warsaw Stock Exchange</b> ul. Książęca 4 00-498 Warszawa
<b>Symbol at the WSE:</b>	TEL
<b>Sector at the WSE:</b>	retail sale

<b>2. Depository-settlement system:</b>	<b>The National Depository for Securities (KDPW)</b> ul. Książęca 4 00-498 Warszawa
---	---

<b>3. Contact with investors:</b>	Tell S.A. ul. Forteczna 19a 61-362 Poznań
-----------------------------------	---

#### 1.6. TELL S.A. GROUP AS AT 31 DECEMBER 2011

The Tell S.A. Group comprises Tell S.A. and its related companies.

##### Euro-Phone Sp. z o.o.

- Seat of the Company: ul. Puławska 40a, 05-500 Piaseczno,
- Basic object of business: Agents specialised in the sale of other particular products (Polish Classification of Economic Activities of 2007 - 4618Z),

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

- 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,
- The Company's share capital is PLN 2,550,000. 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 objects of business: (Polish Classification of Economic Activities of 2007) 4618Z Agents specialised in the sale of other particular products,
- Company's legal basis: The Company was established on 12 July 2007 - Notarised deed No. A 5675/2007. The registration authority is the District Court for Krakow - Śródmieście in Krakow, 11th Commercial Division of the National Court Register, KRS 0000286046. Incorporation date: 13 August 2007,
- The Company's share capital is PLN 1,900,000. In PTI Sp. z o.o., Tell S.A, holds 100% shares.

#### **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. 5029/2007). Registration authority: District Court for Gdańsk-Północ in Gdansk, 7th Commercial Division of the National Court Register, KRS 0000276286. Incorporation date: 12 March 2007.
- The share capital of the Company is PLN 142,900. In Toys4Boys. Pl Sp. z o.o. Tell S.A. holds 30% of shares.

The financial statements of Toys4BoysPl. Sp. z o.o. is immaterial from the perspective of the consolidated financial statements of the Tell S.A. Group. By decision of the Management of the Company, Toys4BoysPl Sp. z o.o. is not subject to consolidation as at 31 December 2011. The value of acquired shares is measured in accordance with IAS 27 – at cost.

#### **Connex Sp. z o.o.**

- Seat of the Company: ul. Forteczna 19A, 61-362 Poznań,
- Basic object of business: Other wholesale – Polish Classification of Economic Activities of 2007: 5190Z
- Company's legal basis: The Company was established on 06 July 2000 - Notarised deed No. A 4298/2000. Registration authority: District Court for Poznań – Nowe Miasto i Wilda in Poznań, 8th Commercial Division of the National Court Register, KRS 0000024020,
- The Company's share capital is PLN 200000. In Connex Sp. z o.o., Tell S.A, holds 100% of shares.

Connex Sp. z o.o. has been deconsolidated due to the loss of the possibility to manage the financial and operational policies so as to gain economic benefits on its operations. Currently, Connex Sp. z o.o. does not carry on any business activities. The loss of control over the company was settled in the consolidated annual financial statements as at 01/01/2010.

### **1.7. DECLARATION OF THE PARENT COMPANY**

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 Company hereby states and declares that, to the best of its knowledge, these consolidated annual 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 Group as well as its financial result in a true, reliable and fair manner.

These consolidated annual financial statements have been prepared in accordance with the accounting principles compliant with the International Financial Reporting Standards as endorsed by the European Union and in the scope as required by the regulation of the Minister of Finance of 19 February 2009 on ongoing and periodical information to be provided by issuers of securities (*Journal of Laws* No. 33, item 259, as amended). These statements cover the period from 1 January to 31 December 2011 and comparable periods.

The Management Board hereby declares that the entity authorised to audit the financial statements that audited the consolidated 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 rules adopted by the Management Board, the chartered auditor was appointed by the Supervisory Board by virtue of the resolution of 23 May 2011 on the appointment of a chartered

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

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.

## 1.8. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated annual financial statements were approved for publication by the Management Board on 12 March 2012.

## 1.9. COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS.

These consolidated annual financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") and IFRS approved by the EU. As at the date of the approval of this statement for publication, 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. IFRS comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

## 1.10. SEASONAL AND CYCLIC CHARACTER OF THE ACTIVITIES

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.

## 1.11. GOING CONCERN AND COMPARABILITY OF FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with the going concern principle, i.e. an assumption that the Tell S.A. Group will continue its business for the period of 12 months after the last balance sheet date, i.e. 31/12/2011. As at the day these financial statements were signed, the Parent Company's Management Board did not find any facts or circumstances, which would pose a threat to the going concern within the period of 12 months following the balance sheet date in consequence of any intended or mandatory liquidation or significant reduction of the present activities.

By the date of these consolidated 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 consolidated annual financial statements do not comprise any significant events concerning the previous years.

## 2. ACCOUNTING POLICIES APPLIED

### 2.1. ACCOUNTING POLICIES

The consolidated annual financial statements have been prepared at historical cost.

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

### 2.2. PRESENTATION OF THE FINANCIAL STATEMENTS

The presented financial statements are compliant with IAS 1. The Company presents the statement of comprehensive income with costs disclosed in the functional classification.

The Cash Flow Statement is made using the indirect method.

In case of a retrospective introduction of amendments to the accounting policies or adjustment of errors, the Group additionally presents a balance sheet made as at the beginning of the comparative period.

### 2.3. CONSOLIDATION BASIS AND CONSOLIDATION PRINCIPLES

The consolidated financial statements contain the separate financial statements of the Parent Company and separate financial statements of subsidiaries made as at the balance sheet date.

As at the date of the acquisition, the acquired entity's assets and equity & liabilities are measured at fair value. The surplus of acquisition price over the fair value of identifiable net assets of the acquired company is recognised as goodwill. In case the acquisition price is lower than the fair value of identifiable net assets of the

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

acquired entity, the difference is recognised as profit of the period in which the acquisition took place. Non-controlling interests are recognised in appropriate proportion of the fair value of the assets and equity.

The financial results of entities acquired or sold during the year are recognised in the consolidated financial statement from/until the moment of their acquisition or disposal, as appropriate.

In case it is necessary, the financial statements of subsidiaries are adjusted as appropriate in order to standardise the accounting policies used by the subsidiary with the policies used by the parent company.

All transactions, balances, revenues and costs between the related parties subject to consolidation are excluded from consolidation.

#### 2.4. MATERIAL VALUES BASED ON PROFESSIONAL JUDGEMENT AND ESTIMATIONS

In the application of accounting policies with regard to the below-mentioned issues, the most important was, besides the accounting estimates, the professional judgement of the management.

Below are discussed the basic assumptions concerning the future as well as other key sources of uncertainty as at the balance sheet date, to which related are material risks of significant adjustments of the carrying amounts of assets and liabilities in the next financial year.

##### a) Professional Judgement

Classification of lease contracts

The Group classifies leases as operating or financial on the basis of the assessment to what extent the risks and rewards incidental to the possession of the leased object appertain to the lessor and to what extent to the lessee. The assessment is based on the economic text of each transaction.

##### b) Estimation Uncertainty

Below are discussed the basic assumptions concerning the future as well as other key sources of uncertainty as at the balance sheet date, to which related are material risks of significant adjustments of the carrying amounts of assets and liabilities in the next financial year.

Impairment of non-financial fixed assets

The following assets are subject to the annual test for impairment:

- goodwill, whereby the first test for impairment is made at the end of the period during which the combination took place,
- intangible assets with non-specified useful life, and
- intangible assets that are not put to use yet.

The remaining intangible assets and tangible assets are tested for indications of impairment. In case any events or circumstances may indicate difficulties in recovering the carrying amount of the given asset, it is tested for impairment.

For the purposes of the impairment test, the assets are grouped at the lowest level at they generate cash flows independent of other cash flows by other assets or groups of assets (so-called cash-generating units). The assets that independently generate cash flows are tested independently.

The goodwill is allocated to those cash generating unit from which the benefits of synergy resulting of business combination are expected, whereby the cash-generating units are at least operating segments.

If the carrying amount exceeds the estimated recoverable amount of assets of cash generating units to which the assets belong, the carrying amount is lowered to the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. In measuring the value in use, the estimated future cash flows are discounted to the present value using the discount rate reflecting the actual market assessment of the time value of money and risk related to the given asset.

The impairment loss is first allocated to goodwill. The remaining charge proportionally lowers the carrying amount of assets comprised in the cash generating unit.

The impairment loss is recognised as profit or loss in the "Other operating costs" item.

The goodwill impairment is not reversed in subsequent periods. In case of other assets, the evidence indicating the possibility of reversing the impairment charge is reviewed at subsequent balance sheet dates. The charge reversal is recognised as profit or loss in the "Other operating income" item.

Measurement of provisions

Provisions for employee benefits were measured using actuarial methods. A change in financial indicators constituting the basis for the estimates, i.e. a growth of the discount rate by 1% and a fall in the remuneration indicator by 1% would not lead to a decrease in the provision.

Deferred tax assets

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

The Group recognises the deferred tax assets to the extent that it is probable that the future taxable profit would be available against which they could be utilised. Deterioration of the taxable results in the future may cause this assumption to be unjustified.

#### Fair value of financial instruments

The fair value of financial instruments for which there is no active market is measured using appropriate measurement techniques. When selecting the appropriate methods and assumptions, the Group uses its professional judgement.

#### Recognition of revenue

The revenue from sale are recognized - as per the International Accounting Standard 18 Revenue – in the fair value of the consideration received or receivable for products, goods and services delivered or rendered in the course of ordinary economic activities less discounts, value added tax and other sale-related taxes (excise tax).

#### Depreciation & amortisation rates

The depreciation and amortisation rates are established on the basis of the estimated useful economic life of the tangible and intangible assets. The Group carries out an annual verification of the assumed useful economic lives. The adopted depreciation/amortisation rates may be adjusted after verification, if the present estimated useful economic life is different than the period estimated earlier. The above changes in estimates are recognised prospectively.

### 2.5. INTANGIBLE FIXED ASSETS

An intangible asset is recognised in the balance sheet when it is an identifiable non-monetary asset without physical substance in the possession of the entity. Intangible assets comprise in particular: economic rights, neighbouring rights, licences, other rights - including the right to lease.

### 2.6. GOODWILL

The goodwill results from the surplus as at the acquisition date of the payment made over the fair value of identifiable assets and equity & liabilities of the subsidiary, an associate or an organised business as at the acquisition date.

The goodwill is recognised as an asset and is subject to tests for impairment at least once a year. Any impairment is immediately recognised as profit or loss and is not reversed in subsequent periods.

After the sale of a subsidiary, an associate or a joint venture, an appropriate value of the goodwill is accounted for when calculated the gains or losses on the disposal.

Costs related to the business combinations, i.e. financial consulting, financial and tax due diligence etc. are recognised as other financial costs.

### 2.7. TANGIBLE FIXED ASSETS

Plants and machinery, vehicles and other fixed assets are recognized in the balance sheet at historical cost less any accumulated depreciation and impairment.

All fixed assets except land and fixed assets in construction are depreciated over their estimated economic useful lives on the straight line basis, with the application of the following annual depreciation rates:

- plants and machinery, vehicles and other 10-60%

Gains or losses on the sale/liquidation or discontinuance of the use of fixed assets are determined as a difference between the revenue from the sale and the net value of such assets and are recognised as profit or loss.

### 2.8. LEASE

Financial lease contracts are contracts on the basis of which all risks and all potential rewards of the ownership are transferred on the lessee. All other lease types are treated as operating lease.

Assets used on the basis of financial lease contracts are treated equally as the Group's assets and are measured upon the lease contract inception at the lower of the fair value of the leased item and the present value of the minimum lease payments. Lease payments are split into the interest part and the principal amount so that the interest rate on the outstanding amount would be a fixed value.

Lease payments under operating lease are recognised in profit or loss on the straight-line basis over the lease term.

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

## 2.9. INVENTORIES

Inventories are measured at the lower of the cost or the net realisable price. Inventories that lost their relevance or whose relevance has been reduced are impaired. Impairment charges are expensed as other operating costs. The issue of inventories is measured in accordance with detailed identification.

## 2.10. BORROWING COSTS

The borrowing costs directly related to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until it is put to use. These costs are decreased by income from temporary investments of funds acquired to produce the given asset.

All other borrowing costs are recognised directly as an expense in the period in which they are incurred.

## 2.11. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial asset or a financial liability is disclosed in the balance sheet when the Group becomes a party to this instrument. Standard financial asset and liability buying and selling transactions are recognised at the transaction date.

A financial asset is derecognised in case when the contractual rights to economic benefits and resulting risks have been realized, expired or the Company waived them.

The Group derecognises a financial liability when it is extinguished – i.e. the obligation specified in the contract is discharged or cancelled or expired.

The Group measures the financial assets and liabilities at fair value as at the acquisition date, i.e. most often in accordance with the fair value of the consideration paid in case of an asset or received in case of a liability. The transaction costs are included by the Group in the initial measurement of all financial assets and liabilities, except for the category of assets and liabilities carried at fair value through profit or loss.

As at the balance sheet date, the financial assets and liabilities are measured in accordance with the principles presented below.

### Financial assets

For the purpose of the measurement after the initial recognition, the financial assets other than the hedging derivatives are classified by the Group as follows:

- loans and receivables,
- financial instruments at fair value through profit or loss,
- held-to-maturity investments and
- available-for-sale financial assets.

These categories determine the measurement principles as at the balance sheet date and the recognition of measurement gains or losses in the financial income or in other comprehensive income. The profits or losses recognized in the financial result are presented as financial income or expense, except for the trade receivables impairment charges that are presented as other operating expenses.

All financial assets except those carried at fair value through profit or loss are tested for indications of impairment at each balance sheet date. A financial asset is subject to a write-down when there is any objective evidence of its impairment. The impairment indications are analysed separately for each category of financial assets as presented below.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method. The short-term receivables are measured at required payment amount due to the insignificant discount effects.

The provisions for bad receivables are set up when the recovery of a full amount is no longer probable. Significant receivables balances are subject to individual review in case of defaulting debtors or when there is objective evidence that the debtor may not be able to discharge his obligations (e.g. difficult financial position of the debtor, court case pending against the debtor, changes in the economic environment that are unfavourable to the debtor). In case of receivables not subject to individual review, the indications of impairment are analysed in groups of assets determined on the basis of credit risk (resulting from, for example: the sector, region or structure of clients). The impairment rate for particular groups is based on trends in repayment difficulties experienced by debtors and observed in recent past.



Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

The financial assets carried at fair value through profit or loss comprise assets classified as held for trading or assigned to be measured at fair value through profit or loss at initial recognition due to the fulfilment of criteria determined in IAS 39.

The instruments belonging to this category are measured at fair value and the measurement results are recognised as profit or loss. The gains or losses on the measurement of financial assets are determined by a change in the fair value determined on the basis of present prices as at the balance sheet date originating from an active market or determined using various valuation techniques if there is no active market.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, which the Group intends to and is able to hold until maturity, with the exception of assets classified as loans and receivables.

The held-to-maturity investments are measured at amortised cost using the effective interest method. If there is evidence of possible impairment of investments held to maturity (e.g. the credit rating of bond issuing companies), the assets are measured at the present value of the estimated future cash flows. Changes in the carrying amount of investments, jointly with impairment loss, are recognised as profit or loss.

Available-for-sale financial assets are non derivative financial assets which were designated as available for sale or assets not classified into any of the above financial asset categories.

In this category, the Group recognised bonds not held to maturity and shares of companies other than subsidiaries or associates.

The shares in non-listed companies are measured at cost less impairment due to the lack of possibility of estimating their fair value. Impairment charges are recognised as profit or loss.

All other available-for-sale financial assets are measured at fair value. The revaluation gains and losses are recognized as other comprehensive income and cumulated in the available-for-sale financial asset revaluation capital, except for the impairment loss and exchange differences related to financial assets, which are recognised in the financial result. The financial result also includes interest that would be recognised during the measurement of these financial assets at amortised cost using the effective interest method.

Reversal of impairment of the available-for-sale financial assets is recognised in other comprehensive income with the exception of impairment charges on debt instruments, whose reversal is recognised in the financial result, if the instrument value growth may be objectively linked to an event occurring after the impairment loss recognition.

Upon asset derecognition, the cumulated profits and losses recognised earlier in other comprehensive income are transferred from equity to the financial result and are presented in other comprehensive income as reclassification from the transfer to the financial result.

#### Financial Liabilities

Financial liabilities other than hedging derivatives are disclosed in the following balance sheet items:

- loans,
- advances,
- other debt instruments,
- finance lease

trade liabilities and other liabilities, and financial derivatives.

After the initial recognition the financial liabilities are measured at amortised cost using the effective interest method, with the exception of financial liabilities for trading or designated at fair value through profit or loss. The category of financial liabilities carried at fair value through profit or loss includes derivatives other than hedging instruments. Short-term trade liabilities are measured at required payment amount due to the insignificant discount effects.

The gains and losses on financial liability measurement are recognised as profit or loss from financial activities.

## 2.12. EQUITY INSTRUMENTS

Equity instruments issued by the Parent Company are recognized in the value of inflows received less direct issue costs.

## 2.13. PROVISIONS

The Group Companies recognise a provision on their balance sheet when they have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

## 2.14. PREPAYMENTS

The company disclosed prepaid costs concerning future reporting periods, mainly lease rents and insurance in the "Prepayments" item.

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

## 2.15. COSTS OF ACQUISITION OF NEW ENTITIES

Costs related to the business combinations, i.e. financial consulting, financial and tax due diligence etc. are recognised as other financial costs.

## 2.16. SALE REVENUES

The revenue from sale are recognized - as per the International Accounting Standard 18 Revenue – in the fair value of the consideration received or receivable for products, goods and services delivered or rendered in the course of ordinary economic activities less discounts, value added tax and other sale-related taxes (excise tax).

The sale of goods is recognized upon the goods delivery and the transfer of ownership title.

Interest income is recognized gradually upon accrual with regard to the principal amount using the effective interest method.

Dividend income is recognized upon the determination of the shareholders' right to receive them.

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.

T-Mobile network operator - Polska Telefonia Cyfrowa Sp. z o.o.

Until the end of June 2011, the revenue and costs related to the sale of mobile phones were registered in promotional prices. Since 1 July 2011, in relation with the amended contract with the operator, the Company has maintained a system identical to the system of settlements between Tell S.A. and PTK Centertel Sp. z o.o.

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.

## 2.17. COSTS OF FUTURE RETIREMENT BENEFITS

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Payments to defined contribution pension plans are recognized as profit or loss when they become payable. Payments to state plans are treated equally as defined contribution plans.

In case of defined benefit plans, the benefit cost is determined using the projected unit credit method, the actuarial measurement being carried out as at each balance sheet date. Actuarial gains and losses are recognized in total in the period when incurred. They are recognized outside the profit and loss and are presented in the profit and loss recognized.

Past service costs are recognized immediately to the extent that they concern already acquired benefits, otherwise they are amortized using the straight line method over the mean period during which the benefits are acquired.

Pension benefit liabilities are presented in the balance sheet in fair value of the defined benefit liability after adjustment by unrecognised past service costs and less the fair value of the plan assets. In case of excess of assets over liabilities, an asset is recognized in the balance sheet up to the level of past service cost increased by the present value of available refunds and discounts concerning future plan contributions.

## 2.18. TAXES

The taxes comprise current tax and deferred tax.

The current tax is calculated on the basis of the tax result (taxation basis) of the given financial year. The tax profit (loss) is different from the net book profit (loss) in relation with the exclusion of taxable income and tax deductible costs of subsequent years as well as non-taxable costs and revenue. The taxes are calculated on the basis of tax rates in force in the given financial year.

The deferred tax is measured for all taxable temporary differences as at the balance sheet date between the carrying value of assets and liabilities and their taxable value.

The deferred tax liability is recognised for all taxable temporary differences and the deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the recognized deductible temporary differences can be utilised. There is no tax asset or liability when the temporary difference arises in relation with the goodwill or an initial recognition of another asset or liability in a transaction that does not influence the tax result or the book result.

The deferred tax liability is recognised for all temporary tax differences arising in consequence of investments into subsidiaries, associates and joint ventures, unless the Group is capable of controlling the moment of temporary difference reversal and it is probable that the temporary difference will not reverse in the foreseeable future.

The deferred tax asset is analysed as at each balance sheet date and when the expected future taxable profit will not be sufficient to realize an asset or its part, it is impaired.

The deferred tax is measured using the tax rates that are expected to apply to the period when the asset is realized or a liability is settled. The deferred tax is recognized as profit or loss save when it concerns the items recognized directly as equity. In the last case, also the deferred tax is settled directly in equity.

## 2.19. THE COMPANY'S SOCIAL BENEFIT FUND

The Company's Social Benefit Fund Act of 04 March 1997, as amended, stipulates that the Company's Social Benefit Fund is set up by employers employing more than 20 persons. The Group companies created such Fund and make periodical contributions thereto on the basis of a basic appropriation. The purpose of the Fund is to finance the social activities for the benefit of employees.

The cash in the Fund's bank account are set off against all liabilities to the Fund. The Fund's assets do not meet the definition of an asset and are not disclosed in the Company's balance sheet.

## 2.20. FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The items in the consolidated financial statements are measured in the currency of the basic economic environment in which the Group operates ("functional currency"). The financial statements are presented in Polish zlotys (PLN), a currency that is the Tell S.A. Group's functional and presentation currency.

Transactions expressed in foreign currencies are converted into the functional currency as per the exchange rate on the transaction date. Transaction settlement exchange gains and losses as well as the balance sheet measurement of cash assets and liabilities expressed in foreign currencies are recognized as profit or loss, unless they are deferred as equity when they qualify as cash flow hedges or security for shares in net assets.

## 2.21. BALANCE SHEET, INCOME STATEMENT AND CASH FLOW STATEMENT ITEMS CONVERSION PRINCIPLES

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

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 31.12.2010, the following exchange rate was applied: EUR 1 = PLN 3.9603, in accordance with conversion table of the National Bank of Poland No. 255/A/NBP/2010 of 31/12/2010.
- for conversion of balance sheet data as at 30.12.2011, the following exchange rate was applied: EUR 1 = PLN 4.4168 in accordance with conversion table of the National Bank of Poland No. 252/A/NBP/2011 of 30/12/2011.

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 4.0044, 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 12 months covered by the statements, i.e.

$$\frac{4.0616 + 3.9768 + 3.8622 + 3.9020 + 4.0770 + 4.1458 + 4.008 + 4.0038 + 3.9870 + 3.9944 + 4.0734 + 3.9603}{12} = 4.0044$$

- to determine the income statement and cash flow statement data for 2011, the following exchange rate was applied: EUR 1 = PLN 4.1401, 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 12 months covered by the statements, i.e.

$$\frac{3.9345 + 3.9763 + 4.0119 + 3.9376 + 3.9569 + 3.9866 + 4.0125 + 4.1445 + 4.4112 + 4.3433 + 4.5494 + 4.4168}{12} = 4.1401$$

## 2.22. CHANGES IN ACCOUNTING POLICIES

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.

New or amended standards and interpretations that have been effective since 1 January 2011:

- Amendment to IAS 32 *Financial Instruments: Presentation* - effective for annual periods beginning on or after 1 February 2010. This standards amends the approach to the classification of instruments settled own equity instruments denominated in foreign currencies.
- Amendment to IAS 24 *Related Party Disclosures* - effective for annual periods beginning on or after 01 January 2011. The amended standard contains exclusions from disclosures concerning state-controlled parties and introduce a new definition of related party which eliminates some inconsistencies.
- Amendment to IAS 1 *First-time Adoption of International Financial Reporting Standards* - effective for annual periods beginning on or after 01 July 2010. This amendment introduces certain exemptions for first time IFRS adopters concerning the financial instrument disclosures for comparative periods.
- Amendments resulting from the "Annual improvements Project 2010": IFRS 1, 3, 7, IAS 1, 21, 28, 31, 34, IFRIC 13 - effective for annual periods beginning on or after 1 January 2011 (IFRS 3, IAS 21, 28, 31 – 1 July 2010).
- Amendment to IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments of a Minimum Funding Requirements* - effective for annual periods beginning on or after 1 January 2011. The amended interpretation introduces a modification of rules for the recognition of prepaid contributions.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* - effective for annual periods beginning on or after 01 July 2010. This interpretation regulates proceedings in case the settlement is extinguished not with repayment but with own equity instruments issued by an entity. The entity that issued equity instruments to extinguish its liabilities should recognise the new shares in their fair value. Differences between the value of shares and the carrying amount of the liability should be recognised as profit or loss.

According to the Management Board of the Parent Company, 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.

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

## 2.23. NEW STANDARDS PENDING IMPLEMENTATION BY THE COMPANY

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

By the date of these consolidated financial statements, the following new or amended standards and interpretations effective for annual periods beginning after 2011 have been published:

- IFRS 9 *Financial Instruments: Classification and Measurement* - effective for annual periods beginning on or after 1 January 2015 (not endorsed by the European Commission). This standard is to eventually replace the present IAS 39. Part of the so far published standard IFRS 9 contains regulations concerning the classification and measurement of financial assets, classification and measurement of financial liabilities as well as derecognition of financial assets and liabilities. The Group is currently assessing the impact of this change on its consolidated financial statements.
- Amendment to IFRS 7 *Financial Instruments: Disclosures* - effective for annual periods beginning on or after 01 July 2011 (endorsed by the European Commission). This amendment introduces additional disclosures concerning the transfer of financial assets, both those that result in derecognition as well as those that lead to the occurrence of a corresponding liability. This amendment will not have a material impact on the consolidated financial statements.
- Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards* - effective for annual periods beginning on or after 01 July 2011 (not endorsed by the European Commission). So far, IFRS 1 made dependent the possibility of the use of certain exemptions and exclusions on the fact whether the transaction occurred before or after 1 January 2004. The amendment to IFRS 1 concerns the replacement of this date by the date of the adoption of the IFRS. Additionally, one introduced principles related to a situation when an entity operated in circumstances of severe hyperinflation, when the price indexes were not achievable and there was no stable foreign currency. These amendments do not have any impact on the consolidated financial statements.
- Amendment to IAS 12 *Income Tax* - effective for annual periods beginning on or after 01 January 2012 (not endorsed by the European Commission). The amended standard concerns the manner of calculation of deferred tax in cases when the tax law treats the recovery of the value of investment property by its use (lease rents) differently from the disposal and the entity does not plan to dispose the same. The amendment to IAS 12 results in the withdrawal of SIC 12, because its regulations have been included in this standard. This amendment will not have a material impact on the consolidated financial statements.
- IFRS 10 *Consolidated Financial Statements* - effective for annual periods beginning on or after 01 January 2013 (not endorsed by the European Commission). The new standard replaces most of IAS 27 *Consolidated and Separate Financial Statements*. IFRS 10 introduces a new definition of control, but the consolidation rules and procedures remain unchanged. In the Group's assessment these changes may have an impact on those entities whose consolidation in accordance with the present regulations was not clearly mandatory. The Group is currently assessing the impact of the new regulations.
- IFRS 11 *Joint Arrangements* - effective for annual periods beginning on or after 01 January 2013 (not endorsed by the European Commission). IFRS 11 replaces IAS 31 *Interests in Joint Ventures*. In the new standard, the accounting approach to joint arrangement results from its economic content, i.e. rights and obligations of parties. Additionally, IFRS 11 eliminates the possibility to settle interest in joint ventures by means of a proportionate consolidation. Upon the effectiveness of IFRS11, the only allowable approach to settle investments would be to apply the equity method in a way currently used for associates. In the Group's assessment the new standard may have an impact on the consolidated financial statements. The Group is currently assessing the impact of the new regulations.
- IFRS 12 *Disclosure of Interests in Other Entities* - effective for annual periods beginning on or after 01 January 2013 (not endorsed by the European Commission). The new IFRS 12 defines requirements concerning the disclosures of information on consolidated and non-consolidated entities in which the reporting entity holds significant interests. It will allow investors to assess the risk to which a company creating special purpose entities and other similar structures is exposed. In the Group's assessment this standard will result in extending the scope of disclosures in the consolidated financial statements.
- Amendment to IAS 27 - *Separate Financial Statements* and amendment to IAS 28 *Investments in Associates and Joint Ventures* - effective for annual periods beginning on or after 1 January 2013 (not endorsed by the European Commission). Amendments to IAS 27 and 28 are a consequence of the introduction of IFRS 10, IFRS 11 and IFRS 12. IAS 27 will concern exclusively the separate financial statements, while IAS 28 will cover investments in joint ventures.
- IFRS 13 *Fair Value Measurement* - effective for annual periods beginning on or after 01 January 2013 (not endorsed by the European Commission). The new standard unifies the term of fair value in all IFRS and IAS and introduces guidelines and rules that were dispersed in various standards. This amendment will not have a material impact on the consolidated financial statements.
- Amendment to IAS 19 *Employee Benefits* - effective for annual periods beginning on or after 01 January 2013 (not endorsed by the European Commission). This document introduces a few amendments, the most important ones concerning the defined benefit plans: elimination of the 'corridor' method and

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

presentation of the effects of revaluation in other comprehensive income. This amendment does not have any impact on the consolidated financial statements.

- Amendment to IAS 1 *Presentation of Financial Statements* - effective for annual periods beginning on or after 01 July 2012 (not endorsed by the European Commission). The requirement of the presentation of other comprehensive income was amended. In accordance with the amended IAS 1, elements of other comprehensive income should be divided into two groups:
  - elements to be at a later stage reclassified to the financial result (e.g effects of the measurement of hedging instruments) and
  - elements that will not be reclassified to the result (e.g. the measurement of fixed assets at fair value, which is later recognised in retained profits, omitting the result).

The amended IAS 1 will impact the scope of disclosures in the consolidated financial statements. The amendment will not impact the recognition and measurement of other comprehensive income.

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine - effective for annual periods beginning on or after 01 January 2013 (not endorsed by the European Commission). The International Financial Reporting Interpretations Committee published an interpretation that concerned the accounting approach to costs of stripping activities in surface mines to gain access to deeper mineral ore deposits. In accordance with the interpretation, these costs should be activated with a breakdown into stripping activity inventories (in the part falling to the mined ore) and stripping activity assets (in the part falling to gaining access to deeper deposits). In the Group's assessment, this amendment will not have a material impact on the consolidated financial statements.
- Amendment to IAS 32 *Financial Instruments: Presentation* - effective for annual periods beginning on or after 01 January 2014 (not endorsed by the European Commission). This amendment to IAS 32 introduces detailed explanation of the application of conditions concerning the presentation of financial assets and liabilities in net amounts. This amendment will not have a material impact on the consolidated financial statements.

The Group intends to implement the above regulation within the deadlines as set in the standard or interpretation.

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

## SUPPLEMENTARY NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

### NOTE NO. 1. OPERATING SEGMENTS

The Group does not identify operating segments, because all the Tell S.A. Group companies carry out uniform economic activities related to mobile phones. However, due to formal requirements of particular mobile phone operators, the Group conducts its business through separate subsidiaries.

The Group is not in a position to assign reliably the costs and assets to the below-presented revenue, therefore it was decided to provide information only about the revenue from the sale as broken down into particular service types.

The Group's Management Board manages the Group focusing on the value of margins generated at particular Group levels jointly for all co-operating operators. The information concerning the profitability of particular activity levels are given in the statement of comprehensive income.

The Group conducts its operating activities on a single geographic area, i.e. the territory of Poland. Subject to the trade secrecy clause, no information concerning the value of sales to a particular customers, whose volume exceeds 10% of total sales, has been presented.

Table No. 1

Revenue from the sale of products and goods (in kPLN)	2011	2010	Change 2011/2010
Revenue from the sale of telecommunication services	128,621	130,825	98.32%
Sets and pre-paid refillments	28,028	30,580	91.65%
Postpaid contract phones	119,359	133,937	89.12%
Other revenue	11,659	12,029	96.92%
Total	287,668	307,371	93.59%

Service sale volume	2011	2010	Change 2011/2010
Postpaid activations	653,187	720,403	90.67%
Prepaid activations	161,020	190,130	84.69%
Total	814,207	910,533	89.42%

### NOTE NO. 2. GOODWILL

List of consolidated entities' goodwill as at 31 December 2011 – table 2 and 3.

Table No. 2

GOODWILL	2011 As at 31/12/2011	2010 As at 31/12/2010
Euro-Phone Sp. z o.o.	8,732	8,732
PTI Sp. z o.o. (Impol Sp. z o.o.)	10,061	10,061
Taurus	1,202	1,202
Havo	20,096	20,096
Solex	10,611	10,511
Maksimum	6,879	6,879
Goodwill	57,581	57,481

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Table No. 3

CHANGE IN GOODWILL	2011 As at 31/12/2011	2010 As at 31/12/2010
a) gross goodwill at period beginning	57,481	56,481
b) increase (due to)		
- additional payment of the price for shares in Impol Sp. z o.o.		1,000
- additional payment to Solex	100	
c) decrease (due to)		
d) gross goodwill at period end	57,581	57,481
e) goodwill impairment at period beginning		
f) goodwill impairment in the period (due to)		
e) goodwill impairment at period end		
h) net goodwill at period end	57,581	57,481

The companies whose shares were acquired in 2009 were merged with the Tell S.A. Group companies.

Euro-Phone took-over ETI Sp. z o.o. The took-over was registered on 01 October 2009. The merger consisted in the transfer of all the assets of the acquired Company on the acquiring Company.

Impol Sp. z o.o. was taken over by PTI Sp. z o.o. The took-over was registered on 01 September 2009. The merger consisted in the transfer of all the assets of the acquired Company on the acquiring Company.

#### **Euro – Phone Sp. z o.o.**

The parent company holds 100% ordinary shares in the capital of Euro-Phone Sp. z o.o., giving it 100% votes at the meeting of shareholders and full control over the Company (full consolidation).

On 13 March 2009, Cyfrowe Centrum Serwisowe, Jerzy Maciej Zygmunt and Tell S.A. entered into the share sale agreement concerning 100 % of shares in the capital of Euro-Phone Sp. z o.o. with registered office in Warsaw. The company has an agency agreement with PTC Sp. z o.o. concerning the distribution of mobile phone services offered by PTC. The contract also concerned the sale by Tell SA of 485,540 treasury shares to Cyfrowe Centrum Serwisowe S.A. The legal consequence of the contract in the form of an obligation to transfer the title to the shares and the obligation to pay the price took effect upon the fulfilment of conditions precedent, i.e. on 10/04/2009.

Euro-Phone took-over ETI Sp. z o.o. The took-over was registered on 01 October 2009. The merger consisted in the transfer of all the assets of the acquired Company on the acquiring Company.

The fair value of the identifiable assets and liabilities of Euro – Phone Sp. z o.o. as at the acquisition date is as follows:

Details	Direct carrying amount before take-over	Goodwill at the acquisition
Tangible Fixed Assets	671	671
Intangible fixed assets	12	12
Long-term investments	0	0
Deferred tax assets	292	292
Inventories	622	502
Receivables	5,160	5,160
Cash and Cash Equivalents	37	37
Accruals	11	11
Deferred tax liabilities	8	8
Other provisions	0	0
Trade liabilities	5,442	5,442
Debt due to loans	0	0
Other liabilities	803	803



Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Prepayments	107	107
<b>Net asset value</b>	<b>446</b>	<b>326</b>
<b>Share of parent company in net assets</b>	<b>100%</b>	<b>100%</b>

Goodwill of identifiable assets as at the acquisition date is lower than the book net value of assets by kPLN 120. This difference results from the update of the value of inventories in the acquired company.

Subject to IFRS 3, the excess of fair value of the identifiable net assets over the net book value of assets was accounted for in the acquisition transaction settlement and increases the goodwill.

The transaction of acquisition of 100% shares in Euro – Phone Sp. z o.o. was settled as follows:

Details	31/03/2009
Acquisition price, including:	<b>9,057</b>
- cash	9,000
- acquisition costs	57
Share in net assets as at the acquisition date	326
Goodwill	8,732

The impairment test conducted as at 31/12/2011 did not indicate a need to make goodwill impairment charges.

#### **PTI Sp. z o.o. (Impol Sp. z o.o.)**

The parent company holds 100% ordinary shares in the capital of PTI Sp. z o.o., giving it 100% votes at the meeting of shareholders and full control over the Company (full consolidation).

On 02 March 2009, all conditions precedent agreed between the parties in the share sale contract of 20 October 2008 were met, and in consequence Krzysztof Januszkiewicz and Winered Investments Limited with registered office in Nicosia (seller) and Tell S.A. (buyer) concluded a contract for the transfer of the total of 1,000 shares of the nominal value of PLN 500 each, total nominal value of kPLN 500, representing 100% of share capital in Impol Sp. z o.o. with registered office in Krakow.

Impol Sp. z o.o. was taken over by PTI Sp. z o.o. The took-over was registered on 01 September 2009. The merger consisted in the transfer of all the assets of the acquired Company on the acquiring Company.

The fair value of the identifiable assets and liabilities of IMPOL Sp. z o.o. as at the acquisition date is as follows:

Details	Direct carrying amount before take-over	Goodwill at the acquisition
Tangible Fixed Assets	306	555
Intangible fixed assets	0	0
Long-term investments	0	0
Deferred tax assets	13	14
Inventories	1,850	1,850
Receivables	8,851	8,309
Cash and Cash Equivalents	2,940	2,929
Accruals	61	16
Deferred tax liabilities	0	47
Other provisions	0	6
Trade liabilities	11,726	11,266
Debt due to loans	0	0
Other liabilities	360	285
Prepayments	0	0
<b>Net asset value</b>	<b>1,934</b>	<b>2,067</b>
<b>Share of parent company in net assets</b>	<b>100%</b>	<b>100%</b>

Goodwill of identifiable assets as at the acquisition date exceeds the book net value of assets by kPLN 133.

Subject to IFRS 3, the excess of fair value of the identifiable net assets over the net book value of assets was accounted for in the acquisition transaction settlement and increases the goodwill.

The transaction of acquisition of 100% shares in IMPOL Sp. z o.o. was settled as follows:

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Details	28/02/2009
Acquisition price, including:	11,128
- cash	10,836
- acquisition costs	292
Share in net assets as at the acquisition date	2,067
Goodwill	9,061
The goodwill after the additional payment	10,061

The contract for the sale of shares in Impol Sp. z o.o. stipulated that the agreed share selling price should be increased depending on the commission received by Impol Sp. z o.o. from Polkomtel S.A. on the basis of agency contract of 22 December 2004, provided that from the share selling date and 28 February 2010, the commission received from Polkomtel S.A. would be higher than the base amount, i.e. PLN 11.514.680. The total price increase could not, as per the detailed contract provisions, exceed the amount of PLN 1,000,000.

After commission settlement, Tell S.A. was obliged to make an additional payment of PLN 1,000,000. The price was paid on 11 May 2010.

The consolidation goodwill was increased by the value of additional payment.

The impairment test conducted as at 31/12/2011 did not indicate a need to make goodwill impairment charges.

#### Taurus

In 2006, Tell S.A. acquired an organised business of Taurus Sp. z o.o. comprising a network of thirteen selling outlets, which allowed it to carry out economic activities consisting in the provision of services to PTK Centertel. The transaction was closed on 31 August 2006. As at the take-over date, the goodwill was recognised as a asset that will bring the Company economic benefits in subsequent periods.

The acquirerer measured the combination cost at the sum of:

- goodwill of assets acquired plus
- all costs that could have been directly allocated to the combination.

The merger costs amounted to kPLN 113. The value of assets acquired in result of the merger amounted to kPLN 121. The carrying value of the goodwill is kPLN 1,202.

As at 31 December 2011, the Parent Company conducted a goodwill impairment test that did not disclose a necessity to recognise an impairment loss.

#### Havo

In 2007, Tell S.A. acquired an organised business of Havo Sp. z o.o. by contract of 20 November 2006.

The organised business was finally taken over on 01 February 2007, when all conditions precedent agreed between the parties had been met.

The take-over concerned 105 PTK Centertel service distribution outlets, a sale structure with business consultants, comprising approx. 40 sellers active outside the distribution outlets, receivables from future commissions. The contract contained the Buyer's obligation to adopt a resolution on the issue of 135,000 new shares and offering them to the Seller in exchange for a cash contribution. The total agreed selling price was kPLN 20,175, whereby part of it was paid by a transfer and part was set-off with the buyer's amounts due from the payment of a cash contribution in exchange for shares.

The acquirerer measured the combination cost at the sum of:

- goodwill of assets acquired plus
- all costs that could have been directly allocated to the combination.

In relation with the adopted way of qualification of revenue, the total amount of expenses to acquire the organised business was decreased by the value of tangible fixed assets taken over, and the remaining part was recognised as goodwill. It was assumed that goodwill constituted future economic benefits from assets that cannot be separately identified or recognised.

The merger costs amounted to kPLN 689. The value of assets acquired in result of the merger amounted to kPLN 768. The carrying value of the goodwill is kPLN 20,096.

As at 31 December 2011, the Parent Company Tell S.A. conducted a goodwill impairment test that did not disclose a necessity to recognise an impairment loss.

#### Solex

In 2008, the subsidiary ETI Sp. z o.o. acquired an organised business of PUH Solex by contract dated 28 May 2008. The organised business was taken over on 01 July 2008, when all the conditions precedent agreed between the parties were met. The acquisition concerned 61 authorised Polska Telefonía Cyfrowa Sp. z o.o. service sale outlets, the Operator's service sale structure via Authorised Business Advisors, comprising approx. 40 sellers operating mainly in 3 Authorised Business Centres and 2 Commercial Offices. The agreed total acquisition price is kPLN 10,700 net.

In relation with the adopted way of qualification of revenue, the total amount of expenses to acquire the organised business was decreased by the value of tangible fixed assets taken over, and the remaining part was recognised

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

as goodwill. It was assumed that goodwill constituted future economic benefits from assets that cannot be separately identified or recognised.

The merger costs amounted to kPLN 40. The value of assets acquired in result of the merger amounted to kPLN 36.

In 2011, on the basis of § 5 in Annex No. 1 of 30 June 2008 to the Agreement on the Acquisition of the Organised Business of 28 May 2008, APS with registered office in Kielce, at ul. Sienkiewicza 41, was purchased for the amount of PLN 100,000.

The carrying value of the goodwill is kPLN 10.611.

As at 31 December 2011, Euro-Phone Sp. z o.o. conducted a goodwill impairment test that did not disclose a necessity to recognise an impairment loss.

### **Maksimum**

In 2010, the subsidiary PTI Sp. z o.o. acquired an organised business of Maksimum Sp. z o.o. by contract dated 08 April 2010. The organised business was taken over on 31 May 2010, when all the conditions precedent agreed between the parties were met. The acquisition concerned 41 authorised Polkomtel S.A. service sale outlets. The agreed total acquisition price is kPLN 9.660 net.

In relation with the adopted way of qualification of revenue, the total amount of expenses to acquire the organised business was decreased by the value of tangible fixed assets taken over, and the remaining part was recognised as goodwill. It was assumed that goodwill constituted future economic benefits from assets that cannot be separately identified or recognised.

The merger costs were kPLN 651 and were expensed as costs of the period. The value of fixed assets taken over in result of the combination was kPLN 621, the value of commercial goods purchased - kPLN 2,160. The carrying value of the goodwill is kPLN 6.879.

As at 31 December 2011, PTI Sp. z o.o. conducted a goodwill impairment test that did not disclose a necessity to recognise an impairment loss.

### NOTE NO. 3.

#### **GOODWILL IMPAIRMENT TEST**

The Group conducted goodwill impairment tests as at the balance sheet date. The test procedures did not indicate any goodwill impairment. The recoverable amount of particular cash generating units was established on the basis of calculated value in use.

In accordance with paragraph 99 of IAS 36 the most recent detailed calculation of recoverable amount of a cash generating unit to which goodwill has been allocated made in the preceding period may be used in the impairment test of that unit in the current period provided all of the following criteria are met:

- the assets and liabilities making up the unit have not changed significantly since the most recent recoverable amount calculation,
- the most recent recoverable amount calculation resulted in an amount that exceeded the carrying amount of the unit by a substantial margin; and
- based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the current carrying amount of the unit is remote.

In relation with the fact that these conditions were met in 2011 for the goodwill disclosed in the consolidated financial statements, the impairment test were made using the recoverable amount determined in 2010. The disclosures concerning the recoverable amount determination presented in the ensuing part of the financial statements concern the data obtained in 2010.

The total goodwill item appeared in result of the take-over of control over the Group companies (or the take-over of an organised business). The allocation of goodwill to particular cash generating units was described in notes 2 and 4.

### **Cash generating unit**

The value in use was calculated in each instance on the basis of cash flow forecasts based on the financial budgets covering the period of 5 years. The forecasts reflect the management's existing experience related to the business and an analysis of external indications. The material assumptions concerning the discount rate and the assumed growth rate after the detailed forecast period are presented in the table below:

#### **2010**

No.	Name	Euro-Phone	Impol	Taurus	Havo	Solex	Maksimum
1.	Forecast period	5 years	5 years	5 years	5 years	5 years	5 years
2.	Discount rate	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%
3.	Growth rate after the budget period	0%	0%	0%	0%	0%	0%

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

#### Other key assumptions used for the calculation of the value in use

The estimation of the value in use of a cash generating unit is sensitive to the following variables:

- cash flows;
- discount rate;
- market share in a budget year;
- growth rate applied when estimating cash flows outside the scope of budgeted periods.

Cash flows – are made on the basis of values achieved in the periods preceding the budget period and on the prudent estimates concerning the future derived from them.

Discount rate – reflects the estimation of risk typical for Tell S.A. made by the management. This is an indication used by the management in order to estimate the operational effectiveness (results) and future investment proposals.

The discount rate and the growth rate of future cash flows assumed for the determination of the recoverable amount was expressed in real values, i.e. disregarding the inflation. The cash flow and the discount rate are compliant with the IAS 36 methodology, i.e. they do not include the income tax paid by the Company. Had the tax effect been accounted for in the discount rate, it would amount to 10.92%.

Assumptions concerning the market shares – these assumptions are material because the management assesses the ways in which the economic and financial position of TELL S.A. may change during the budget period with respect to competitors. The management expects that the market share of Tell S.A. will be stable in the budget year.

Estimated growth rate - not assumed.

#### Sensitivity to changes of assumptions

In case of the estimation of the value in use, the management is convinced that no reasonably possible change of any key assumption made above would result in exceeding by the carrying amount of such unit of its recoverable amount adjusted by the book value of net assets.

#### NOTE NO. 4.

#### INTANGIBLE ASSETS

Information about intangible assets concerning the carrying amounts, amortisation, and classification was presented in tables 4 to 6.

Table No. 4

GROSS OTHER INTANGIBLE ASSETS	2011 As at 31/12/2011	2010 As at 31/12/2010
a) acquired concessions, patents, licences and similar assets, including:	3,089	3,254
- software	3,089	3,254
b) other intangible assets	5,393	5,328
Total gross intangible assets	8,482	8,582

Table No. 5

INTANGIBLE ASSETS IN THE PERIOD FROM 01/01 TO 31/12/2010			
Details	Software (licences)	Other (lease rights)	Total
Gross value - as at 01/01/2010 before adjustment	3,393	5,058	8,451
Adjustment – deconsolidation of Connex Sp. z o.o.	- 200		- 200
Gross value - as at 01/01/2010 after adjustment	3,192	5,058	8,250
Increase in gross value (due to):	100	270	370
- acquisition	67	270	337
- other	33		33
Decrease in gross value (due to):	39		39
- liquidation	39		39
Gross value - as at 31/12/2010	3,254	5,328	8,582
Redemption - as at 01/01/2010 before adjustment	3,007	4,803	7,810
Adjustment – deconsolidation of Connex Sp. z o.o.	- 91		- 91
Redemption - as at 01/01/2010 after adjustment	2,916	4,803	7,719
Increase in amortisation (due to):	137	132	269

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

- amortisation charges	111	132	243
- other	27		27
Decrease in amortisation (due to):	39		39
- liquidation	39		39
Amortisation - as at 31/12/2010	3,015	4,935	7,950
Net value - as at 31/12/2009 before adjustment	386	255	641
Adjustment – deconsolidation of Connex Sp. z o.o.	- 109		- 109
Net value - as at 01/01/2010 after adjustment	277	255	531
Net value - as at 31/12/2010	239	393	632

Table No. 6

INTANGIBLE ASSETS IN THE PERIOD FROM 01/01 TO 31/12/2011

Details	Software (licences)	Other (lease rights)	Total
Gross value - as at 01/01/2011	3,254	5,328	8,582
Increase in gross value (due to):	109	65	174
- acquisition	72	65	137
- other	37	0	37
Decrease in gross value (due to):	274	0	274
- sale	2	0	2
- liquidation	272	0	272
Gross value - as at 31/12/2011	3,089	5,393	8,482
Amortisation - as at 01/01/2011	3,015	4,935	7,950
Increase in amortisation (due to):	158	164	321
- amortisation charges	122	164	286
- impairment	35	0	35
Decrease in amortisation (due to):	274	0	274
- sale	2	0	2
- liquidation	272	0	272
Amortisation - as at 31/12/2011	2,898	5,099	7,997
Net value - as at 01/01/2011	239	393	632
Net value - as at 31/12/2011	191	294	485

The Group uses intangible assets it purchased.

The useful life is specified and amounts to, respectively:

- software 2 years
- Maxebiznes financial & accounting programme 5 years
- cost of acquisition of lease rights (other assets) 5 years

The intangible assets are amortised over their useful life.

NOTE NO. 5.

**TANGIBLE FIXED ASSETS**

Information on tangible fixed assets was presented in tables 7 to 10.

Table No. 7

GROSS TANGIBLE FIXED ASSETS	2011 As at 31/12/2011	2010 As at 31/12/2010
a) fixed assets, including:	14,140	14,990
- plants and machinery	3,402	3,674
- vehicles	2,402	2,319
- other fixed assets	8,336	8,996
b) fixed assets in construction	26	6
Total tangible fixed assets	14,166	14,997

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Table No. 8

TANGIBLE FIXED ASSETS IN THE PERIOD FROM 01/01 TO 31/12/2010				
Details	Plants and machinery	Vehicles	Other fixed assets	Total
Gross value - as at 01/01/2010 before adjustment	3,674	2,701	8,464	14,840
Adjustment – deconsolidation of Connex Sp. z o.o.	- 163	- 132		- 296
Gross value - as at 01/01/2010 after adjustment	3,511	2,569	8,464	14,544
Increase in gross value (due to):	297	785	1,120	2,202
- acquisition	286	785	1,120	2,191
- other	11			11
Decrease in gross value (due to):	134	1,035	587	1,756
- sale	46	991	259	1,295
- liquidation	89	44	328	460
Gross value - internal transfers	1		-1	0
Gross value - as at 31/12/2010	3,674	2,319	8,996	14,990
Amortisation - as at 01/01/2010	2,232	1,233	4,686	8,152
Adjustment – deconsolidation of Connex Sp. z o.o.	- 146	- 26		-172
Redemption - as at 01/01/2010 after adjustment	2,086	1,207	4,686	7,980
Increase in amortisation (due to):	708	493	1,231	2,432
- amortisation charges	708	493	1,231	2,432
Decrease in amortisation (due to):	131	731	461	1,323
- sale	42	726	202	970
- liquidation	89	5	259	353
Depreciation - internal transfer	1		-1	0
Amortisation - as at 31/12/2010	2,664	969	5,455	9,088
Net value - as at 01/01/2010 before adjustment	1,442	1,468	3,778	6,688
Adjustment – deconsolidation of Connex Sp. z o.o.	- 17	- 106		-124
Net value - as at 01/01/2010 after adjustment	1,425	1,362	3,778	6,564
Net value - as at 31/12/2010	1,011	1,350	3,541	5,902

Table No. 9

TANGIBLE FIXED ASSETS IN THE PERIOD FROM 01/01 TO 31/12/2011				
Details	Plants and machinery	Vehicles	Other fixed assets	Total
Gross value - as at 01/01/2011	3,674	2,319	8,996	14,990
Increase in gross value (due to):	78	751	735	1,565
- acquisition	75	751	735	1,561
- other	3			3
Decrease in gross value (due to):	350	669	1,395	2,414
- sale	86	669	90	845
- liquidation	264		1,305	1,569
Gross value - as at 31/12/2011	3,402	2,402	8,336	14,140
Amortisation - as at 01/01/2011	2,664	969	5,455	9,088
Increase in amortisation (due to):	442	411	948	1,802
- amortisation charges	442	411	948	1,802
Decrease in amortisation (due to):	314	520	949	1,783
- sale	83	520	75	678
- liquidation	231		874	1,105
Amortisation - as at 31/12/2011	2,793	860	5,454	9,107
Net value - as at 01/01/2011	1,011	1,350	3,541	5,902
Net value - as at 31/12/2011	610	1,542	2,882	5,033

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Table No. 10

BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE)	2011 As at 31/12/2011	2010 As at 31/12/2010
a) own	14,166	14,997
b) used on the basis of a lease, rental or similar contract, including:		
Total balance sheet fixed assets	14,166	14,997

The fixed assets are recognised at cost. This concerns assets that were purchased. The tangible fixed assets used on the basis of a finance lease contract are recognised in the present value of minimum lease payments.

Adopted useful lives:

- plants and machinery from 10 years to 2 years
- vehicles from 2.5 years to 5 years
- expenditure on fixed assets of third parties 10 years
- equipment and furniture 5 years

The depreciable tangible assets are depreciated over their useful life.

The Group does not have any fixed assets held for sale.

## NOTE NO. 6.

**SUBSIDIARIES**

Below are presented the equity shares of the Parent Company Tell S.A.

Table No. 11

Name of entity, legal form, registered office	Registered office	Object of the business	Type of relation	Consolidation method	Date of control take-over	Value of shares at cost	Impairment adjustment (total)	Shares at carrying amount	Percentage of share capital held	% of votes at the General Meeting of Shareholders
Euro-Phone Sp. z o.o.	Piaseczno	trade	direct subsidiary	full consolidation	12/07/2007	11,025		11,025	100.00%	100.00%
PTI Sp. z o.o.	Kraków	trade	direct subsidiary	full consolidation	28/06/2007	13,324		13,324	100.00%	100.00%
Toys4Boys.PI Sp. z o.o.	Gdańsk	trade	related	non consolidated	01/04/2011	1,287		1,287	30%	30%
Connex Sp. z o.o.	Poznań	trade	direct subsidiary	No control	30/06/2003	150	150	0	100.00%	100.00%

On 15 March 2011, Tell S.A. purchased for PLN 1,287,000 a 30% share in the increased capital of Toys4Boys.PI Sp. z o.o. with registered office in Gdansk. The investment contract provided also for the possibility of purchasing by 31 January 2012 from the present shareholders of the Company further shares for the total of PLN 900,000, which, together with the shares bought earlier, would amount to 51% of the share capital and 51% of votes at the general meeting of shareholders.

In case of a failure to exercise or improper exercise by Tell S.A. of the share purchase right and obligation, the present shareholders in Toys4Boys.PL Sp. z o.o. will be entitled to demand that Tell S.A sold the 429 shares in its possession for 50% of the issue price.

As at the date of these statements, Tell S.A. did not use the option to which it is entitled to purchase from the shareholders of Toys4Boys.pl Sp. z o.o. with registered office in Gdańsk further shares, which, jointly with the shares already in its possession, would constitute 51% of the share capital of this company.

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

The Company is a leader on the market of gifts and gadgets. It runs 11 stores located in shopping malls and one Internet store. The transaction is an element of the issuer's revenue diversification strategy.

NOTE NO. 7.

**FINANCIAL ASSETS AND LIABILITIES**

Categories of financial assets and liabilities.

The value of financial assets presented in the balance sheet relates to the following categories of financial instruments determined in IAS 39:

1 – loans and receivables (L&R)	5 - available-for-sale financial assets (AFS)
2 - financial assets carried at fair value through profit or loss - held for trading (FVA-T)	6 - hedging derivatives (HD)
3 - financial assets carried at fair value through profit or loss - allocated to measurement at fair value at initial recognition (FVA-M)	7 - assets outside the scope of IAS 39 (Non IAS 39)
4 - held-to maturity investments (HMI)	

Table No. 12

	Note	*Categories of financial instruments as per IAS 39							Total
		L&R	FV-T	FV-M	HMI	AFS	HD	Non IAS 39	
<b>As at 31/12/2011</b>		1	2	3	4	5	6	7	
<i>Fixed assets:</i>									
Receivables and loans	9	1,184							
Other long-term financial assets								1,287	1,287
<i>Current assets:</i>									
Trade Receivables and Other Receivables	11	52,882							
Loans	14	22							
Cash and Cash Equivalents	13	11,975							
Total financial assets		66,063						1,287	67,350
<b>As at 31/12/2010</b>									
<i>Fixed assets:</i>									
Receivables and loans	9	1,258							1,258
Other long-term financial assets									
<i>Current assets:</i>									
Trade Receivables and Other Receivables	11	61,489							61,489
Loans	14	224							224
Cash and Cash Equivalents	13	4,145							4,145
Total financial assets		67,115							67,115

The value of financial liabilities presented in the balance sheet relates to the following categories of financial instruments determined in IAS 39:

1 - financial liabilities carried at fair value through profit or loss - held for trading (FVL-T)	4 - hedging derivatives (HD)
2 - financial liabilities carried at fair value through profit or loss - allocated to measurement at fair value at initial recognition (FVL-M)	5 - liabilities outside the scope of IAS 39 (Non IAS 39)
3 - financial liabilities measured at amortised cost (ACL)	



Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Table No. 13

	Note	*Categories of financial instruments as per IAS 39					Total
		FVL-T	FVL-M	ACL	HD	Non IAS 39	
<b>As at 31/12/2011</b>		1	2	3	4	5	
<i>Long-term liabilities:</i>							
Loans, credits, other loan instruments	22			3,840			3,840
Other liabilities							
<i>Short-term liabilities:</i>							
Trade liabilities and other liabilities	21			70,708			70,708
Loans, credits, other loan instruments	22			1,856			1,856
Total financial liabilities				76,404			76,404
<b>As at 31/12/2010</b>							
<i>Long-term liabilities:</i>							
Loans, credits, other loan instruments	22			6,051			6,051
Other liabilities							
<i>Short-term liabilities:</i>							
Trade liabilities and other liabilities	21			77,440			77,440
Loans, credits, other loan instruments	22			1,711			1,711
Total financial liabilities				85,202			85,202

NOTE NO. 8.  
**LONG-TERM RECEIVABLES**

Information on long-term receivables is presented in tables 14 and 15.

Table No. 14

LONG-TERM RECEIVABLES	2011 As at 31/12/2011	2010 As at 31/12/2010
a) from related parties		
b) from other parties – deposits	1,184	1,258
c) impairment charges		
Total gross short-term receivables	1,184	1,258

Table No. 15

CHANGE IN LONG-TERM RECEIVABLES (TITLES)	2011 As at 31/12/2011	2010 As at 31/12/2010
a) as at period beginning	1,258	940
- deposits paid	1,258	940
b) increase (due to)	103	390
- additional payment	103	390
c) decrease (due to)	178	71
- return	178	71
- reclassification to short-term receivables		
a) as at period end	1,184	1,258

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

NOTE NO. 9.

**INVENTORIES**

Information on inventories is presented in table 16.

Table No. 16

INVENTORIES	2011 As at 31/12/2011	2010 As at 31/12/2010
a) materials		
b) semi-products and work in progress		
c) finished products		
d) goods	13,280	16,070
e) advances for deliveries		
Total gross inventories	13,280	16,070
b) impairment of goods	536	609
Total net inventories	12,744	15,461

The inventories comprised goods purchased and held for sale. The inventories are recognised at cost, not higher than the selling price. The inventories of the parent company Tell S.A. constitute a security for the loan granted to the Company by Bank DnB Nord Polska S.A. and Alior Bank S.A.

The inventories of PTI Sp. z o.o. constitute a collateral for two loans granted to its parent company Tell S.A. (the only shareholder) by Alior Bank S.A.

The collateral for the investment loan in an amount of kPLN 2,000 is constituted by inventories on which a registered pledge was established. The Company made a declaration that it would subject itself to voluntary debt collection enforcement proceedings up to the amount of kPLN 4,000. Additionally, an assignment of receivables from the inventories insurance contract was made in an amount equal to the registered pledge value.

The collateral for the overdraft facility in an amount of kPLN 2,000 is constituted by inventories on which a registered pledge was established. The Company is obliged to maintain its inventories at the level of kPLN 2,000. Additionally, an assignment of receivables from the inventories insurance contract was made in an amount equal to the registered pledge value.

NOTE NO. 10.

**TRADE RECEIVABLES AND OTHER RECEIVABLES**

Information on trade receivables and other receivables is presented in tables 17 to 19.

Table No. 17

SHORT-TERM RECEIVABLES	2011 As at 31/12/2011	2010 As at 31/12/2010
a) receivables from other parties	52,882	61,489
- trade receivables falling due within 12 months	52,722	61,039
- tax, social security and medical insurance receivables, including:	100	189
corporate income tax	78	
- other	60	261
Total net short-term receivables	52,882	61,489
b) impairment of receivables	3,685	3,381
Total gross short-term receivables	56,568	64,869

Table No. 18

CHANGE IN IMPAIRMENT OF SHORT-TERM RECEIVABLES	2011 As at 31/12/2011	2010 As at 31/12/2010
As at period beginning	3,381	3,463
a) increase (due to)	354	1,680
- impairment of Tell's receivables	158	1,338

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

- impairment of Euro-Phone's receivables	127	289
- impairment of PTI's receivables	69	53
b) decrease (due to)	50	1,762
- impairment of Tell's receivables		4
- impairment of Euro-Phone's receivables	44	356
- impairment of PTI's receivables	6	7
- impairment of Connex's receivables – deconsolidation		1,396
Impairment of short-term receivables	3,685	3,381

Table No. 19

SHORT-TERM RECEIVABLES (CURRENCY STRUCTURE)	GROSS	2011 As at 31/12/2011	2010 As at 31/12/2010
a) in PLN		56,568	64,869
b) in foreign currencies as converted into PLN			
Total short-term receivables		56,568	64,869

Trade receivables do not bear interest and usually have a 21-day maturity in case of wholesalers, in case of retail sale - the payment is made in cash. The Company has in place a policy of selling only to verified wholesale customers. Therefore, there is no additional credit risk, higher than the level determined by the provision for bad receivables.

Past-due amounts are presented in the balance sheet in net values. The carrying amount of receivables corresponds to their fair value.

NOTE NO. 11.  
**PREPAYMENTS**

Information on prepayments is presented in table 20.

Table No. 20

SHORT-TERM PREPAYMENTS	2011 As at 31/12/2011	2010 As at 31/12/2010
a) Long-term prepayments, including:	304	387
- rental fee	304	387
a) Short-term prepayments, including:	321	274
- property insurance costs	140	130
- rental fee	129	129
- other deferred costs	52	15

NOTE NO. 12.  
**CASH AND CASH EQUIVALENTS**

Information on cash and cash equivalents is presented in tables 21 and 22.

Table No. 21

CASH	2011 As at 31/12/2011	2010 As at 31/12/2010
Cash in hand	513	356
Cash at bank	11,462	3,789
Total cash	11,975	4,145

The credit risk related to liquid funds is limited, because the other transaction parties are banks having high credit quality class.

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Table No. 22

CASH AND OTHER CASH ASSETS (CURRENCY STRUCTURE)	2011 As at 31/12/2011	2010 As at 31/12/2010
a) in PLN	11,975	4,145
b) in foreign currencies as converted into PLN		
Total cash and other cash assets	11,975	4,145

NOTE NO. 13.

**OTHER HELD-TO-MATURITY FINANCIAL ASSETS**

Information on other financial assets is presented in table 23.

Table No. 23

OTHER SHORT-TERM FINANCIAL ASSETS	2011 As at 31/12/2011	2010 As at 31/12/2010
a) Loans granted	22	224
- BBI Capital NFI S.A. – significant investor		224
- Firma Handlowa Michała Wojaczek – other parties	22	
Total other short-term financial assets	22	224

NOTE NO. 14.

**SHARE CAPITAL OF THE PARENT COMPANY**

Information on share capital structure is presented in table 24.

Table No. 24

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	0	2,859,500	22.66%	35.46%
Havo Sp. z o.o.		675,000	675,000		675,000	675,000	10.70%	8.37%
Rafał Stempniewicz	175,000	112,280	287,280	350,000	112,280	462,280	4.55%	5.73%
AVIVA Investors FIO AVIVA Investors SFIO		657,672	657,672		657,672	657,672	10.42%	8.15%
Quercus Parasolowy SFIO		888,235	888,235		888,235	888,235	14.08%	11.01%
	1,604,750	2,333,187	3,937,937	3,209,500	2,333,187	5,542,687	62.41%	68.73%

In 2011, there were changes in the number of shares held and there was a change in the number of votes. In accordance with a request of shareholders, 361.250 series A registered shares were converted into bearer shares. The converted shares had a voting preference; they each one entitled to two votes. In result of the conversion, this preference expired. After the conversion, the total number of votes at the General Meeting of Shareholders amounts to 8.064.998. In consequence of the conversion of shares, the share capital did not change and amounts to PLN 1,261,924.60.

As at the balance sheet date, the value of share capital of Tell S.A. amounts to PLN 1,261,924.60 and is divided into:

- 1,755,375 series A registered preferential shares (one share entitles to two votes)
- 4,554,248 ordinary bearer shares.

The nominal value of each share is PLN 0.20.

NOTE NO. 15.

**TREASURY SHARES**

Information on treasury shares is presented in table 25.

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Table No. 25

VALUE OF TREASURY SHARES	2011 As at 31/12/2011	2010 As at 31/12/2010
As at period beginning		3
a) shares purchased during the period		
a) shares sold during the period		
c) shares redeemed		3
As at period end, total		0

As at the date of these consolidated statements, the Parent Company does not have any treasury shares.

NOTE NO. 16.

#### SUPPLEMENTARY CAPITAL

Information on supplementary capital is presented in table 26.

Table No. 26

VALUE OF SUPPLEMENTARY CAPITAL	2011 As at 31/12/2011	2010 As at 31/12/2010
a) share premium	24,863	24,863
b) established in accordance with the statutes/articles of association above the statutory (minimum) value	12,136	11,533
Total supplementary capital	36,999	36,396

The supplementary capital is created from share premium. Additionally, the supplementary capital is created from the appropriation of profits generated by the company in previous years.

The value of the supplementary capital rose by kPLN 603 due to the distribution of profits for 2010. The remaining part of net profit was used to pay dividends.

NOTE NO. 17.

#### RESERVE CAPITALS

Information on reserve capitals is presented in table 27.

Table No. 27

VALUE OF RESERVE CAPITAL	2011 As at 31/12/2011	2010 As at 31/12/2010
Reserve capital at period beginning	9,902	9,902
a) from the transfer from supplementary capital		
b) cost of purchase of treasury shares above par value		
b) sale of treasury shares above par value		
Total reserve capitals	9,902	9,902

NOTE NO. 18.

#### INFORMATION ON THE DIVIDENDS PAID (OR DECLARED), 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 an amount of PLN 0.80 per one share in the Company,
- supplementary capital in an 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.

The number of shares entitling to the dividend is 6,309,623 and the dividend amount is PLN 5,047,698.40.

NOTE NO. 19.

#### PROVISIONS

Information about provisions was presented in table 28.29 and table 30.

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Table No. 28

CHANGE IN LONG-TERM PROVISION FOR RETIREMENT BENEFITS AND SIMILAR BENEFITS (TITLES)	2011 As at 31/12/2011	2010 As at 31/12/2010
a) as at period beginning	33	27
- provision for retirement benefits		27
b) increase (due to)	3	7
- provision for retirement benefits	3	7
c) as at period end		34
- provision for retirement benefits	36	33

Table No. 29

CHANGE IN SHORT-TERM PROVISION FOR RETIREMENT BENEFITS AND SIMILAR BENEFITS (TITLES)	2011 As at 31/12/2011	2010 As at 31/12/2010
a) as at period beginning	5	5
- provision for retirement benefits	5	5
b) increase (due to)	1	
- provision for retirement benefits	1	
c) as at period end	6	5
- provision for retirement benefits	6	5

Table No. 30

CHANGE IN OTHER SHORT-TERM PROVISIONS (TITLES)	2011 As at 31/12/2011	2010 As at 31/12/2010
a) As at period beginning, per title:	1,126	1,548
- provision for accrued holidays	653	418
- provision for payroll costs	391	400
- provision for financial statements audit cost	55	53
- provision for other costs	27	677
b) increase (due to)	519	793
- provision for accrued holidays	108	320
- provision for payroll costs	342	391
- provision for financial statements audit cost	47	55
- provision for other costs	22	27
c) utilisation (due to)	473	453
- payment of salaries/wages	391	400
- payment for financial statement audit	55	53
- cost incurring	27	
d) reversal due to the disappearance of the underlying reason		762
- provision for accrued holidays		85
- loss of control		677
e) As at period end, per title:	1,172	1,126
- provision for accrued holidays	761	653
- provision for payroll costs	342	391
- provision for financial statements audit cost	47	55
- provision for other costs	22	27

NOTE NO. 20.

**TRADE LIABILITIES AND OTHER LIABILITIES**

Information on trade liabilities and other liabilities is presented in tables 31 to 34.

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Table No. 31

LONG-TERM LIABILITIES	2011 As at 31/12/2011	2010 As at 31/12/2010
To other parties	3,840	6,051
- Bank DnB Nord Polska S.A.	1,417	1,917
- Alior Bank S.A.	2,423	4,134
Total long-term liabilities	3,840	6,051

Table No. 32

LONG-TERM LIABILITIES, WITH MATURITIES FALLING DUE AFTER THE BALANCE SHEET DATE	2011 As at 31/12/2011	2010 As at 31/12/2010
a) above 1 year to 3 years	3,840	6,051
b) above 3 year to 5 years		
Total long-term liabilities	3,840	6,051

Table No. 33

SHORT-TERM LIABILITIES	2011 As at 31/12/2011	2010 As at 31/12/2010
a) to other parties	74,009	81,313
- loans and advances, including:	1,856	1,711
- long-term in the repayment period	1,853	1,711
- trade liabilities falling due within 12 months	68,290	74,458
- tax, customs, customs, social insurance liabilities:	2,491	3,112
- including CIT liabilities	184	584
- payroll	1,262	1,577
- other (by type)	211	454
Total short-term liabilities	74,109	81,313

Table No. 34

SHORT-TERM LIABILITIES (CURRENCY STRUCTURE)	2011 As at 31/12/2011	2010 As at 31/12/2010
a) in PLN	74,109	81,313
b) in foreign currencies (as per currency and after conversion into PLN)		
Total short-term liabilities	74,109	81,313

Trade liabilities do not bear interest and are usually settled within the deadlines set by the creditors, i.e. 14 days in case of service providers and 21 days in case of goods suppliers.

Liabilities related to bank loan interest are settled on a monthly basis.

## NOTE NO. 21.

**LOANS AND ADVANCES**

Information on loan liabilities is presented in tables 35 to 39.

Table No. 35

LONG-TERM LOAN LIABILITIES Tell S.A.					
Name of company	Seat	Loan amount per contract	Loan amount outstan	Interest terms	Repayment date
			ding as at 31/12/2010		
ALIOR BANK S.A.	Warszawa	6,000	4,100	WIBOR 1M +bank margin	30/05/2014
			3,000		

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Loan security:

- power of attorney to debit the borrower's accounts,
- registered pledge on shares in PTI Sp. z o.o.
- power of attorney to debit accounts of PTI Sp. z o.o.
- registered pledge on inventories
- assignment of rights under insurance policy concerning the inventories for a sum not lower than 120% of the credit exposure.

Table No. 36

LONG-TERM LOAN LIABILITIES Tell S.A.					
Name of company	Seat	Loan amount per contract	Loan amount outstanding as at	Interest terms	Repayment date
			31/12/2010		
ALIOR BANK S.A.	Warszawa	2,000	1,745	WIBOR 1M +bank margin	30/05/2014
			1,277		

Loan security:

- power of attorney to debit the borrower's accounts,
- power of attorney to debit accounts of PTI Sp. z o.o.
- registered pledge on shares in PTI Sp. z o.o.
- registered pledge on inventories of PTI Sp. z o.o.
- assignment of rights under the insurance policy concerning inventories.

Table No. 37

LONG-TERM LOAN LIABILITIES Euro-Phone Sp. z o.o.					
Name of company	Seat	Loan amount per contract	Loan amount outstanding as at	Interest terms	Repayment date
			31/12/2010		
BANK DnB NORD POLSKA S.A.	Warszawa	5,000	3,750	WIBOR 1M +bank margin	30/09/2013
			1,417		

Security for the loan from BANK DnB NORD POLSKA S.A.:

- corporate guarantee from Tell S.A.
- subordination of receivables of Tell S.A.
- registered pledge on shares in Euro-Phone Sp. z o.o.

Table No. 38

SHORT-TERM LOAN LIABILITIES Tell S.A.					
Name of company	Seat	Loan amount per contract	Loan amount outstanding as at	Interest terms	Repayment date
			31/12/2010		
BANK DnB NORD POLSKA S.A.	Warszawa	5,000	0	WIBOR 1M +bank margin	30/05/2012
			0		
ALIOR BANK S.A.	Warszawa	2,000	0	WIBOR 1M + bank margin	04/04/2012
			3		

Loan security:

BANK DnB NORD POLSKA S.A.:

- power of attorney to debit the borrower's accounts,
- registered pledge on the borrower's inventories with a book value not lower than 180% of the debt limit,
- assignment of rights under insurance policy.



Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Alior Bank S.A.:

- power of attorney to debit the borrower's accounts,
- registered pledge on shares in PTI Sp. z o.o.,
- power of attorney to debit accounts of PTI Sp. z o.o.
- registered pledge on inventories of PTI Sp. z o.o.

Table No. 39

SHORT-TERM LOAN LIABILITIES PTI Sp. z o.o.					
Name of company	Seat	Loan amount per contract	Loan amount outstanding as at	Interest terms	Repayment date
			31/12/2010		
ALIOR BANK S.A.	Warszawa	2,000	0	WIBOR 1M +bank margin	19/12/2012
			0		

Loan security:

- power of attorney to debit the borrower's accounts,
- registered pledge on movable property for the amount of kPLN 18.413
- assignment of receivables from the movable property insurance policy for a sum of kPLN 1,500 minimum
- civil law guarantee by Tell S.A.
- power of attorney to the current bank account and other bank accounts of Tell S.A.

NOTE NO. 22.

#### OPERATING LEASE AND FINANCIAL LEASE CONTRACT CONTINGENT LIABILITIES

In cases when the Group is a lessee, the obligations under the operating lease contract concern the contracts the subject matter of which is commercial space.

On 31 December 2011 and 2010, the value of minimum future lease payments amounted to, respectively, kPLN 39,247 and kPLN 47,281.

Table No. 40

	2011 As at 31/12/2011	2010 As at 31/12/2010
Up to 1 year	12,067	12,629
From 1 year to 5 years	27,180	34,652
Total minimum future fees	39,247	47,281

NOTE NO. 23.

#### LIABILITIES OF THE COMPANY'S SOCIAL BENEFIT FUND

The Company's Social Benefit Fund Act of 04 March 1997, as amended, stipulates that the Company's Social Benefit Fund is set up by employers employing more than 20 persons. The Parent Company has created such Fund and makes periodical contributions thereto on the basis of a basic appropriation. The purpose of the Fund is to finance the social activities for the benefit of employees.

The cash in the Fund's bank account are set off in the balance sheet against all liabilities to the Fund.

NOTE NO. 24.

#### INCOME TAX

The income tax specification in the reporting period is presented in table 41.

Table No. 41

CURRENT INCOME TAX	2011 As at 31/12/2011	2010 As at 31/12/2010
1. Gross profit	11,917	9,684
2. Consolidation adjustment		-549
3. Difference between the gross profit and the base for income tax (titles)	-6,832	-3,071
- non-taxable revenues and revenues exempt from taxation	-1,064	441

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

- tax revenues that are not book revenues	24	
- non-tax deductible costs	1,532	1,509
- transitory non-tax deductible costs	1,485	4,300
- tax costs that are not book costs	-8,810	-9,322
4. Tax base	5,085	6,612
5. Income deductibles	-253	-569
6. Income tax base	4,832	5,494
7. Income tax at 19%	918	1,044

Table No. 42

CURRENT INCOME TAX RECOGNISED AS PROFIT OR LOSS	2011 As at 31/12/2011	2010 As at 31/12/2010
- recognised as profit or loss	918	1,044
- recognised as equity		
Total current income tax	918	1,044

NOTE NO. 25.  
**DEFERRED INCOME TAX**

The deferred income tax is presented in tables 43 and 44.

Table No. 43

CHANGE IN DEFERRED TAX ASSETS	2011 As at 31/12/2011	2010 As at 31/12/2010
1. Deferred income tax assets as at period beginning, including:	874	1,172
a) recognised as profit or loss	874	962
- provision for holidays and retirement benefits	131	86
- salaries and wages	82	90
- social insurance contributions payable by the employer	72	80
- other provisions for costs	77	166
- impairment of inventories	116	156
- impairment of receivables	349	362
- amortisation	48	22
b) recognised as profit or loss of the period in relation with the tax loss		210
2. Increases	221	298
a) recognised as financial profit or loss in relation with deductible temporary difference (due to)	221	298
- provision for holidays and retirement benefits	21	62
- salaries and wages	107	79
- social insurance contributions payable by the employer	59	63
- other provisions for costs	18	67
- impairment of inventories	1	1
- impairment of receivables	16	
- amortisation		26
b) recognised as profit or loss of the period in relation with the tax loss		
3. Decreases	208	596
a) recognised as financial profit or loss in relation with deductible temporary difference (due to)	208	386
- provision for holidays and retirement benefits		16
- salaries and wages	95	88
- social insurance contributions payable by the employer	72	72
- other provisions for costs	37	156
- impairment of inventories	1	41

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

- impairment of receivables		13
- amortisation	2	
b) recognised as profit or loss of the period in relation with the tax loss		210
4. Deferred income tax assets as at period end, including:	888	874
a) recognised as financial profit or loss in relation with deductible temporary difference (due to)	888	874
- provision for holidays and retirement benefits	152	131
- salaries and wages	94	82
- social insurance contributions payable by the employer	59	72
- other provisions for costs	58	77
- impairment of inventories	115	116
- impairment of receivables	365	349
- amortisation	45	48
b) recognised as profit or loss of the period in relation with the tax loss		

Table No. 44

CHANGE IN DEFERRED TAX LIABILITIES	2011 As at 31/12/2011	2010 As at 31/12/2010
1. Deferred income tax liabilities as at period beginning, including:	4,251	3,025
a) recognised as financial profit or loss	4,251	3,025
- provision for accrued interest	12	50
- provision for goodwill	4,122	2,870
- provision for amortisation/depreciation costs	117	106
2. Increases	1,640	1,324
a) recognised as financial profit or loss in relation with taxable temporary difference (due to)	1,640	1,324
- provision for accrued interest		4
- provision for goodwill	1,487	1,252
- provision for amortisation/depreciation costs		68
- provision for future income	153	
b) recognised as equity in relation with taxable temporary differences		
3. Decreases	53	99
a) recognised as financial profit or loss in relation with taxable temporary differences (due to)	53	99
- reversal of temporary differences - amortisation and depreciation	41	57
- reversal of temporary differences - interest	12	42
4. Total deferred income tax liabilities as at period end	5,837	4,251
- provision for accrued interest		12
- provision for goodwill	5,609	4,122
- provision for amortisation/depreciation costs	75	117
- provision for future income	153	

NOTE NO. 26.

#### REVENUE FROM SALE IN THE REPORTING PERIOD

The revenue from the sale is presented in tables 43 to 44. Item 2 hereof entitled "Accounting Policies" contains a description of different ways of recognition in the books of account of the Group companies of the subsidised sale of mobile phones by particular operators. Irrespective of this different way of mobile phone sale settlement by particular operators, the effects on such operations are neutral for the results of all Group companies.

If all Group companies settled the value of subsidised phones in the same way as Tell S.A, the Group's revenue would amount to in 2011 and 2010, respectively, kPLN 229,673 and kPLN 241,057. The costs of sale in 2011 and 2010 would be, respectively, kPLN 163,528 and kPLN 168,137.

There is no possibility at present to simulate the values of the Group's revenues and costs with the application of the settlement model in force between PTI Sp. z o.o. and Polkomtel SA because until June 2011 Euro-Phone registered the revenues and costs of mobile phone sales only in promotional prizes (no data about their market

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

values). The change of the settlement system between Euro-Phone and PTC that took place in July 2011 will allow, with time, to prepare a presentation of simulated revenues of the Group both in accordance with the model applied by Tell SA and Euro-Phone Sp. z o.o. as well as the model applied by PTI Sp.o.o.

Table No. 45

NET REVENUES FROM SALE	2011 period from 01/01/2011 to 31/12/2011	2010 period from 01/01/2010 to 31/12/2010
Sale revenues:	287,667	307,371
- revenue from the sale of telecommunication services	128,621	130,825
- sets and pre-paid refillments	28,028	30,580
- postpaid contact phones	119,359	133,937
- other revenue	11,659	12,029
Total net revenue from sale	287,668	307,371

Table No. 46

NET REVENUES FROM SALE (TERRITORIAL STRUCTURE)	2011 period from 01/01/2011 to 31/12/2011	2010 period from 01/01/2010 to 31/12/2010
a) Poland	287,668	307,371
b) export		
Total net revenue from sale	287,668	307,371

NOTE NO. 27.

#### FINANCIAL INCOME AND EXPENSES

The financial income and expenses are presented in tables 47 to 51.

Table No. 47

FINANCIAL INCOME FROM INTEREST	2011 period from 01/01/2011 to 31/12/2011	2010 period from 01/01/2010 to 31/12/2010
a) due to loans granted	44	37
- from a significant investor	37	37
- from a related party	7	
b) other interest	194	162
- from other parties	194	162
Total financial income from interest	238	199

Table No. 48

OTHER FINANCIAL INCOME	2011 period from 01/01/2011 to 31/12/2011	2010 period from 01/01/2010 to 31/12/2010
a) other financial income:		24
- from other parties, including:		24
- default interest		
- assignment of receivables		
- cash bonus		24
Total other financial income		24

Table No. 49

FINANCIAL COSTS DUE TO INTEREST	2011 period from 01/01/2011 to 31/12/2011	2010 period from 01/01/2010 to 31/12/2010
a) on loans and advances	707	944
- to other parties	707	944
b) other interest	25	5
Total financial costs due to interest	733	949

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Table No. 50

IMPAIRMENT OF FINANCIAL ASSETS	2011 period from 01/01/2011 to 31/12/2011	2010 period from 01/01/2010 to 31/12/2010
a) loans and advances		560
- granted to related parties – Connex Sp. z o.o.		560
b) other		
Total financial costs due to impairment of financial assets		560

Table No. 51

OTHER FINANCIAL COSTS	2011 period from 01/01/2011 to 31/12/2011	2010 period from 01/01/2010 to 31/12/2010
a) other, including:	224	819
- default interest - deliveries		3
- other bank fees	145	162
- interest for the state authorities	3	
- other	76	3
- costs of acquisition of the organised business of Maksimum		651
Total other financial costs	224	819

NOTE NO. 28.

**OPERATING REVENUE AND COSTS**

Information on operating revenue and costs is presented in tables 52 to 54.

Table No. 52

COSTS PER TYPE	2011 period from 01/01/2011 to 31/12/2011	2010 period from 01/01/2010 to 31/12/2010
a) depreciation and amortisation	2,088	2,498
b) consumption of materials and energy	2,597	2,503
c) contracted services	127,002	127,854
d) taxes and fees	187	148
e) payroll	23,159	24,923
f) social insurance and other benefits	4,881	5,176
g) other costs by type	2,864	3,720
Total costs per type	162,779	166,822
Change in inventories, products and prepayments	-88	138
Costs of sale (negative value)	-41,289	- 45,883
Costs of general administration (negative value)	-11,721	- 12,437
Costs of products sold (negative value)	-109,857	- 108,639

Table No. 53

OTHER OPERATING REVENUE	2011 period from 01/01/2011 to 31/12/2011	2010 period from 01/01/2010 to 31/12/2010
a) profit on the disposal of non-financial fixed assets		81
- revenue from the disposal of non-financial fixed assets		547
- value of non-financial fixed assets disposed (negative value)		- 466
b) reversal of provision (due to)	162	316
- provision – discontinuation of underlying reason	162	316
c) other, including:	893	369
- indemnities received	72	13

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

- liabilities written-off	40	1
- inventory surplus	10	6
- visualisation	217	
- cash bonuses	12	48
- subsidies from the Polish Fund for the Rehabilitation of the Disabled	167	54
- other	376	246
Total other operating revenue	1,055	766

Table No. 54

OTHER OPERATING COSTS	2011 period from 01/01/2011 to 31/12/2011	2010 period from 01/01/2010 to 31/12/2010
a) loss on the disposal of non-financial fixed assets	350	
- revenue from the disposal of non-financial fixed assets (negative value)	-304	
- value of non-financial fixed assets disposed	189	
- value of liquidated fixed assets	464	
b) set up of provisions (due to)	758	2,576
- impairment of receivables	359	1,584
- impairment of goods	9	8
- provision for holidays	63	322
- provision for costs	328	663
c) other, including:	446	452
- donation	20	23
- receivables written-off	44	20
- legal enforcement fees		11
- damage and shortages	18	131
- fines and penalties	95	57
- liquidation of tangible fixed assets	5	104
- other	152	105
- visualisation	113	
Total other operating costs	1,554	3,028

NOTE NO. 29.

#### DISCONTINUED OPERATIONS

Connex Sp. z o.o. has been deconsolidated due to the limited possibility of the Parent Company to manage its financial and operational policies so as to gain economic benefits on its operations. Connex Sp. z o.o. does not carry on any business activities. The value of net assets of Connex Sp. z o.o. as at 01 January 2010 amounted to PLN 548,527.42.

In relation with the settlement of the loss of control over Connex Sp. z o.o., a loss of PLN 548,527.42 equal to the equity of the Company as at 01/01/2010 was recognised in the consolidated financial statements.

Table No. 55

Details	01/01/2010
Assets	
Intangible fixed assets	109.03
Tangible Fixed Assets	123.78
Inventories	248.67
Trade receivables	4,070.17
Accruals	212.08
Cash	338.99

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Liabilities	
Liabilities	3,877.28
Provisions	676.91

The net cash flows are as follows	
Details	01/01/2010
Total flows from operating activities	540.62
Change in provisions	-676.91
Change in inventories	248.67
Change in receivables	4,070.17
Change in liabilities	-3,313.40
Change in prepayments and accruals	212.08
Cash at the period beginning	338.99

NOTE NO. 30.

### EARNINGS PER SHARE

Information on earnings per share is presented in table 56.

Table No. 56

	2011 period from 01/01/2011 to 31/12/2011	2010 period from 01/01/2010 to 31/12/2010
Net profit (in PLN)	9,425,534.91	7,117,121.58
Average weighted number of ordinary shares (items)	6,309,623	6,309,623
Earnings per ordinary share (in PLN)	1.49	1.13
Average weighted diluted number of ordinary shares	6,309,623	6,309,623
Diluted earnings per ordinary share (in PLN)	1.49	1.13

The earnings per share are calculated as a quotient of net profit of the financial year and the average weighted number of shares present in the given financial year.

NOTE NO. 31.

### BOOK VALUE OF ONE SHARE

Information on book value of one share is presented in table 57.

Table No. 57

	2011 period from 01/01/2011 to 31/12/2011	2010 period from 01/01/2010 to 31/12/2010
Book value (in PLN)	59,732,115.78	55,354,279.28
Number of ordinary shares	6,309,623	6,309,623
Book value per one share (in PLN)	9.47	8.77
Diluted number of ordinary shares	6,309,623	6,309,623
Diluted book value per one share (in PLN)	9.47	8.77

NOTE NO. 32.

### CASH FLOW STATEMENT

Table No. 58

DETAILS	2011 current year	2010 previous year
Cash in the balance sheet	11,975	4,145

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Exchange differences from balance sheet measurement		
Cash assets qualified as cash equivalents for the cash flow statement		
<b>Total cash and cash equivalents disclosed on the cash flow statement</b>	<b>11,975</b>	<b>4,145</b>
DETAILS	2011 current year	2010 previous year
<b>Amortisation and depreciation:</b>	<b>2,088</b>	<b>2,498</b>
amortisation of intangible assets	286	242
depreciation of tangible assets	1,802	2,256
<b>Profit (loss) from investing activities results from:</b>	<b>350</b>	<b>49</b>
revenue from the sale of tangible fixed assets	-304	- 546
net value of tangible fixed assets sold	189	595
net value of tangible fixed assets liquidated	464	
<b>Change in provisions results from:</b>	<b>48</b>	<b>261</b>
balance sheet change in provisions for liabilities	48	-416
value of provisions excluded in consequence of the loss of control over Connex Sp. z o.o		676
<b>Change in inventories results from:</b>	<b>2,717</b>	<b>4,045</b>
balance sheet change in inventories	2,717	4,294
value of inventories excluded in consequence of the loss of control over Connex Sp. z o.o		-249
<b>Change in receivables results from:</b>	<b>8,758</b>	<b>- 1839</b>
change in receivables resulting from the balance sheet	8,680	2,439
adjustment by income tax receivables	74	-208
receivables excluded due to loss of control over Connex Sp. z o.o.		- 4,070
<b>Change in short-term liabilities, save financial liabilities, results from:</b>	<b>- 7,048</b>	<b>152</b>
change in short-term liabilities resulting from the balance sheet	- 7,448	- 3,059
adjustment of income tax liabilities	400	-106
liabilities excluded due to loss of control over Connex Sp. z o.o.		3,318
<b>The "other adjustments" item comprises:</b>		<b>1,108</b>
revaluation of the value of short-term financial assets - loan		560
Equity of Connex Sp. z o.o. – settlement of loss resulting from the loss of control		548

NOTE NO. 33.

#### INFORMATION ON RELATED ENTITIES

Transactions between the Parent Company and subsidiaries (Euro-Phone Sp. z o.o. and PTI Sp. z o.o.) were eliminated upon consolidation and were not presented in this note. These transactions were disclosed in the separate financial statements of the Parent Company. Information concerning a loan to the significant investor is presented in note 14.

Transactions with related parties comprise the repaid loans of kPLN 2,200 and the interest income on this account in the amount of kPLN 44.

NOTE NO. 34.

#### REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD OF THE PARENT COMPANY (KAY MANAGEMENT PERSONNEL)

Information on the remuneration of the Supervisory Board and Management Board is presented in table 59.



Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Table No. 59

	2011 period from 01/01/2011 to 31/12/2011	2010 period from 01/01/2010 to 31/12/2010
<b>Members of the Management Board</b>		
Rafał Stempniewicz	621	605
Stanisław Górski	320	351
Robert Krasowski	403	432
	1,344	1,388
<b>Members of the Supervisory Board</b>		
Tomasz Buczak	12	14
Tomasz Grabiak	5	14
Piotr Karmelita	13	14
Łukasz Kręski	1	0
Marek Piątkowski	7	0
Paweł Turno	16	18
Mariola Więckowska	13	14
Adam Wojacki	1	0
	67	76
total	1,411	1,464

Besides the above-mentioned remunerations, there were no other significant transactions concerning the related parties within the understanding of IAS 24.

NOTE NO. 35.

#### STRUCTURE OF EMPLOYMENT OF THE GROUP

The employment as at the end of 2010 is presented in table 60.

Table No. 60

	2011 current year	2010 previous year
Management Board	6	6
Managers	167	204
White collar	462	523
Blue collar	7	10

NOTE NO. 36.

#### EVENTS AFTER THE BALANCE SHEET DATE

There were no events after the balance sheet date that would have an impact on the current activities of the Tell S.A. Group

NOTE NO. 37.

#### INFORMATION ABOUT FINANCIAL INSTRUMENTS

As at 31 December 2011 and 2010, the carrying amount of cash and cash equivalents, short-term receivables and liabilities, short-term loans and short-term financial liabilities carried at amortised cost using the effective interest rate is close to the fair value due to the short maturing of such instruments or their cash nature.

The table below presents a comparison of carrying amounts and fair values of all financial instruments of the Company as broken down into particular classes and categories of assets and liabilities.

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Table No. 61

FINANCIAL ASSETS	Carrying amount		Fair value	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
a) Trade receivables and other receivables	52,882	61,489	52,882	61,489
- trade receivables	52,722	61,039	52,722	61,039
b) Other financial assets (short-term), including	22	224	22	224
- short-term loans	22	224	22	224
c) Cash and cash equivalents, including	11,975	4,145	11,975	4,145
- in hand	513	356	513	356
- at bank	11,462	3,789	11,462	3,789

FINANCIAL LIABILITIES	Carrying amount		Fair value	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
a) Interest-bearing bank loans and advances, including	5,693	7,762	5,693	7,762
- overdraft facilities	3	0	3	0
b) Trade liabilities and other liabilities, including	70,707	77,441	70,707	77,441
- trade liabilities	68,290	74,458	68,290	74,458

NOTE NO. 38.

**GOALS AND PRINCIPLES OF CREDIT RISK MANAGEMENT**

The main financial instruments used by the Group are bank loans, cash and short-term deposits. The main objective of these instruments is to provide funds to finance the Company's operations. The Group also has other financial instruments, such as trade receivables and liabilities, that arise directly in the course of its business.

The main types of risks related to the Group's financial instruments are the interest rate risk, liquidity risk and credit risk. The Management Board validates and agrees the management policies related to each type of risk – these policies were briefly discussed below.

**Interest rate risk**

The Group's exposure to interest rate risk fluctuations concerns mainly long-term financial liabilities.

The Group uses only variable interest loans based on 1M WIBOR plus margin.

Table No. 62

	Rate fluctuations	Impact on the financial result:		Impact on equity:	
		31/12/2011	31/12/2010	31/12/2011	31/12/2010
Interest rate rise	1%	57	78	57	78
Interest rate fall	-1%	-57	-78	-57	-78

**Credit risk**

The Group enters into transactions only with renowned entities with a good credit standing. All clients wishing to take advantage of the merchant's credit are subject to a pre-verification procedure. Additionally, owing to an on-going monitoring of the receivables, the exposure to bad receivables risk is insignificant.

With regard to other financial assets, such as cash and cash equivalents, available-for-sale financial assets, the credit risk arises in relation with the contractor's inability to make the payment, and the maximum exposure to this risk is equal to the carrying amount of such instruments.

Table No. 63 Maximum exposure to credit risk:

	Carrying amount	Risk exposure value
31/12/2011		
Long-term receivables - deposits	1,287	1,287
Receivables	52,882	52,882
Loans granted	22	22
Cash and Cash Equivalents	11,975	11,975
31/12/2010		
Long-term receivables - deposits		

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

Receivables	61,489	61,489
Loans granted	224	224
Cash and Cash Equivalents	4,145	4,145

### Liquidity risk

The Group's objective is to maintain the balance between the financing continuity and flexibility by using various sources of finances, such as overdraft facilities, bank loans.

The analysis of maturities of the Group's financial liabilities is based on contractual non-discounted cash flows. The payment of interest on the contracted bank loans, accrued in accordance with a variable interest rate, were calculated on the basis of the interest rate determined in the last interest period applicable before 31 December 2011 and 2010. The trade liabilities are disclosed as short-term or long-term depending on their maturity.

Table No. 64

	Sight	> 3 months	From 3 to 12 months	From 1 to 5 years	> 5 years
31/12/2011					
Interest-bearing loans and advances		710	1,555	3,914	
Convertible preferential shares					
Trade liabilities and other liabilities		71,970			
Derivatives					
31/12/2010					
Interest-bearing loans and advances		675	1,036	6,051	
Convertible preferential shares					
Trade liabilities and other liabilities		79,017			
Derivatives					

NOTE NO. 39.

### CAPITAL MANAGEMENT – IAS 1.134A

The main objective of the Group's capital management is to maintain a good credit rating and safe capital ratios, that would support the operating activities of the Group and increase its value for shareholders of its parent company.

The Parent Company of the Group manages the capital structure and after economic changes improves it as necessary. In order to maintain or adjust the capital structure the Parent Company may change the payment of dividends to shareholders, return the capital to the shareholders or issue new shares. By the reporting date, there were no changes as to the objectives, principles and processes in force in this area.

The Group monitors the capitals using the leverage indicator, which is calculated as the net debt to total capitals plus net debt ratio. The Group includes in its net debt the interest-bearing loans and advances, trade liabilities and other liabilities less cash and cash equivalents. The capital comprises convertible preferential shares, shareholder's equity less reserve capitals from unrealised net profits.

Table No. 65

DETAILS	31/12/2011	31/12/2010
Interest-bearing loans and advances	5,696	7,762
Trade liabilities and other liabilities	79,304	85,016
Less cash and cash equivalents	11,975	4,145
<b>Net debt</b>	<b>96,975</b>	<b>96,923</b>
Shareholder's equity	57,498	53,052
Reserve capitals from unrealised net profits		
<b>Total equity</b>	<b>57,498</b>	<b>53,052</b>
<b>Capital and net debt</b>	<b>156,708</b>	<b>152,277</b>
Leverage ratio	62%	64%

Name of company:	Tell S.A. Group		
Period covered by the financial statements:	01/01/2010-31/12/2011	Reporting currency:	Polish zloty - PLN
Rounding up/down level:	all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated		

NOTE NO. 40.

#### LITIGATIONS IN COURT

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.

NOTE NO. 41.

#### INFORMATION ON TRANSACTIONS WITH THE AUDITOR OF THE FINANCIAL STATEMENTS

Table No. 66

REMUNERATION PAID OR DUE FOR THE FINANCIAL YEAR	2011	2010
- for the audit of the separate and consolidated financial statements	71	71
- for other attestation services, including the review of the separate and consolidated financial statements	50	59
- for tax advisory services	11	
- for other services	7	
Total	139	130

The consolidated annual financial statements were accepted by the Management Board of the Parent Company on 12 March 2012 and signed by the Management Board members

Rafał Stempniewicz

Stanisław Górski

Robert Krasowski

-----

President of the Management Board

-----

Member of the Management Board

-----

Member of the Management Board

Signature of the person in charge of the books of account

Jolanta Stachowiak

-----

Chief Accountant