REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITIES OF THE TELL S.A. GROUP IN 2010

1 LEGAL STATUS OF THE PARENT COMPANY TELL S.A.

1.1 Basic information about the Parent Company

Name:	**Tell**
Legal form:	**Spółka Akcyjna *(Polish joint-stock company)***
Seat:	**Poznań, ul. Forteczna 19a**
Country of incorporation:	**Poland**
Basic objects of business:	
	- Telecommunications
	- Wholesale of telecommunications equipment on a fee or contract basis
	- Wholesale of office machinery and equipment
	- Retail sale of telecommunications equipment
	- Information technology
	- Advertising
Registration authority:	District Court Poznań- Nowe Miasto i Wilda, 8th Commercial Division of the National Court Register
Statistical number (REGON):	630822208.

1.2 Composition of the governing bodies of the Parent Company as at 31 December 2010

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 of the Company:

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
Piotr Karmelita	- Member of the Supervisory Board
Mariola Więckowska	- Member of the Supervisory Board
Tomasz Buczak	- Member of the Supervisory Board

Changes in the Supervisory Board:

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

1.3 Chartered auditors

PKF Audyt Sp. z o.o.

ul. Elbląska 15/17

01-747 Warszawa

1.4 Quotations at the regulated market

1. **General:**

	Stock Exchange:	**The Warsaw Stock Exchange** ul. Książęca 4 00-498 Warszawa
	Symbol at the WSE:	TEL
	Sector at the WSE:	retail sale
2.	**Depository-settlement system:**	**The National Depository for Securities (KDPW)** ul. Książęca 4 00-498 Warszawa
3.	**Contact with investors:**	Tell S.A. ul. Forteczna 19a 61-362 Poznań

1.5 Share capital of the Parent Company as at 31 December 2010

As at the balance sheet date, the value of share capital of Tell S.A. amounts to PLN 1,261,924.60. The capital is divided into 6,309,623 shares of the nominal value of PLN 0.20 each, including:

- 2,116,625 series A registered preferential shares (one share entitles to two votes)
- 4,192,998 ordinary bearer shares.

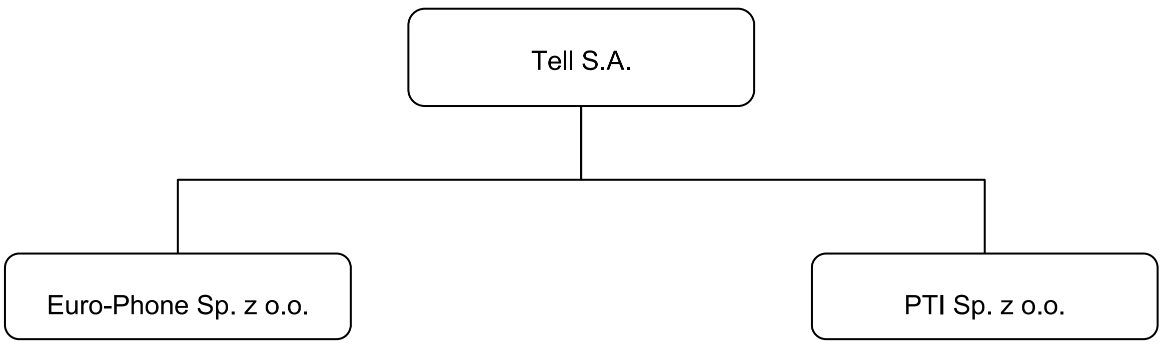
In 2010, the number of shares decreased when compared to 2009. On 26 April 2010, the Ordinary General Meeting of Shareholders of Tell S.A. adopted resolution No. 17/2010 concerning the redemption of 15,377 treasury shares and decrease of the share capital.

The redemption of shares took place on 17 June 2010 upon the registration by the District Court for Poznań-Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register of the applicable change to the Articles of Association of the Company concerning the decrease of the share capital.

2 Subsidiaries

2.1 Information on organisational or capital links of the issuer with other entities. Description of the Group organisation, description of changes and their underlying reasons.

The issuer's group is made up from the parent company Tell S.A. and subsidiaries Euro-Phone Sp. z o.o. and PTI Sp. z o.o. which are subject to consolidation in the financial statements.



Euro-Phone Sp. z o.o.

- Seat of the Company: ul. Taneczna 18c, 02-829 Warszawa,

- Basic object of business: Agents specialised in the sale of other particular products (Polish Classification of Economic Activities of 2007 - 4618Z),
- Company's legal basis: The Company was established on 19 March 1998 (Notarised deed No. A 2699/98). The registration authority is the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register, KRS 0000010796. Incorporation date: 25 May 2001,
- 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% of shares.

3 FINANCIAL POSITION OF THE GROUP

3.1 Information about basic products, goods or services, with a breakdown into volumes and value as well as the shares of particular products, goods and services (if they are material) or their groups in total sale of the Group, changes in this respect during the year.

All Group companies operate on the mobile phone service distribution market. In 2010, the Group operated on the basis of agency contracts with 3 biggest mobile phone operators. Business models of all Group companies are very similar.

3.1.1 Postpaid activations

There are two basic types of services on the mobile phone market: postpaid and prepaid. The activation of the postpaid type (the service is paid in arrears) is characterised by a long-term contract signed by the client with the operator (usually for 2 years) and a necessity to pay a monthly subscription fee. As part of postpaid services, the ever growing share is taken by data transmission services, allowing a mobile Internet access based on a separate SIM card installed in laptops. For the client acquisition in the postpaid system and for the extension of the client's past contract, the Group companies receive a commission from mobile phone operators. The commission is the most important source of margin for Group companies.

3.1.2 Wide-band Internet access services

For the acquisition of clients and for clients extending their previous contracts with the operator, the Group companies receive a commission in accordance with the same rules as in case of postpaid activations.

3.1.3 Prepaid activations

The prepaid activation (service paid up front) does not require the client to conclude a contract with the operator and pay a monthly subscription fee. The remuneration for including a client in the given operator's network is a trade margin realised on the sale of the so-called starting sets (SIM card plus a phone number) and the so-called phone sets.

3.1.4 Prepaid account refilling

Another source of revenue for the Group are the calling cards (scratchcards or electronic refilling), which allow the client to top up his prepaid account with a definite amount to be then used to make calls, send text messages and use other services. The remuneration for the sale to the client of such time is based on a trade margin. At present, the Group companies operate almost exclusively the electronic refill services.

3.1.5 Sale of mobile phone accessories

The sale of mobile phone accessories is a source of the Group's revenues that is independent from the mobile phone operators.

3.1.6 Sale of postpaid mobile phones

Mobile phones offered jointly with the postpaid activation are not a source of margin for the Group companies (their sale is margin neutral). They are sold to clients at promotional prices, much lower than the market pries, and the difference between the market price and the price for the client is covered by the operators (each operator does it differently). This phenomenon is a form of subsidising the mobile phones by operators in order to lower the network entry barrier for the client. The subvention is a form of the operator's investment in the client and is repaid to the operator by the client on the basis of invoices for services over the subscription period.

The tables below present the sale as broken down into ranges offered by Group companies and sale volumes in the main revenue lines.

Revenue from the sale of products and goods (in kPLN)	2010	2009	Change 2010/2009
Revenue from the sale of telecommunication services	130,825	126,630	103.31%
Sets and pre-paid refillments	30,580	34,135	89.59%
Postpaid contract phones	133,937	102,937	130.12%
Other revenue	12,029	13,701	87.79%
Total	307,371	277,403	110.80%

Service sale volume	2010	2009	Change 2010/2009
Postpaid activations	720,403	672,883	107.06%
Prepaid activations	190,130	226,421	83.97%
Total	910,533	899,304	101.25%

3.2 Information on markets, with a breakdown into domestic and foreign markets, information about sources of materials for production, goods and services, with an indication of dependence on one or more supplier or client, and in case the share of one supplier or client reaches at least 10 % of total sale revenue - name of supplier or client, his share in sale or supply as well as formal links with the issuer.

3.2.1 Situation on the mobile phone market

The basic market for the business of the Group companies is the mobile phone market and, owing to the cooperation with TP SA, on an ever growing basis, the market of wide band Internet access through fixed phones. In 2010, the Group revenues based, similarly as in previous years, on the transaction model. i.e. the remuneration received from operators for the new client acquisition or for the extension of the old client's contract for telecommunications services. As regards the new client acquisition, it must be noted in particular, that these are not only the clients who have not owned a mobile phone so far, i.e. one should not confuse the frequently published data on SIM card market saturation with the Group's revenue potential. Besides the clients who have not owned a mobile phone earlier, "new" clients are also clients migrating from the prepaid to the postpaid segment as well as clients migrating between mobile phone operators within the postpaid service segment. A supplementary source of income of the Group are bonuses related to the after-sale service and maintenance of sale standards.

Owing to detailed data published by the TP Group (ORANGE), Polska Telefonia Cyfrowa (ERA) and Polkomtel (PLUS) as well as general results published by P4 (PLAY), it is possible to outline a general image of the mobile telephone market in 2010. It is characterised by a growth in SIM card saturation to approx. 123%, i.e. approx. 5.5% higher than in 2009. The operator's revenues and client bases are presented in the tables below.

Revenues of mobile phone operators in mPLN

	2009	2010	change Value	change in %
PTK Centertel (ORANGE)	PLN 7,745	PLN 7,745	PLN -34	-0.44%
PTC (ERA)	PLN 7,602	PLN 7,345	PLN -257	-3.38%
Polkomtel (PLUS)	PLN 7,773	PLN 7,672	PLN -101	-1.30%
P4 (PLAY)	PLN 1,340	PLN 2,000	PLN 660	49.25%
Total	**PLN 24,460**	**PLN 24,728**	**PLN 268**	**1.10%**

SIM cards as broken down into mobile phone operators in thousands

	2009	2010	value change	change
PTK Centertel (ORANGE)	13,714	14,332	618	104.51%
PTC (ERA)	13,500	13,259	-241	98.21%
Polkomtel (PLUS)	14,039	14,056	17	100.12%
P4 (PLAY)	3,447	5,163	1,716	149.78%
Total	**44,700**	**46,810**	**2,110**	**104.72%**

As regards the market of mobile phone operators' service distribution, the three key rules of distributors were not changed:

a) exclusivity regarding the offer of one single operator in one single store;
b) exclusive competence of operators as regards the number and location of shops offering their services;
c) standardisation of the offer, visualisation and sale standards within the entire sale network (there are slight variances in this regard).

In view of these circumstances, the competition between various distributors of services of the same operator is limited and concerns such areas as acquisition of new shop locations (this factor lost its significance in view of the market maturity), quality of sale force and operating efficiency of logistic and settlement processes. The competition between distributors of services of particular operators is, in turn, a reflection of the strategy and marketing policy of the operators themselves.

3.2.2 Group's sale network.

TELL S.A.

As at 31/12/2010, the sale was conducted in a network of 234 sale outlets (channel dedicated to individual clients) and 72 Business Client Consultants (channel dedicated to business clients). The average number of sale outlets in 2010 was 233, which was a fall by 6% when compared to 2009, however the number of Business Client Consultants in 2010 was 84, which was a rise by 16.6% when compared to 2009.

In 2010, TELL SA maintained its position of the largest dealer of PTK Centertel, with a share of 25% in the total number of Orange sale outlets.

EURO-PHONE Sp. z o.o.

As at 31/12/2010, the sale was conducted in a network of 108 sale outlets (channel dedicated to individual clients) and 103 Business Client Consultants (channel dedicated to business clients). The average number of sale outlets in 2010 was 110, which was a fall by 7.6% when compared to 2009, however the number of Business Client Consultants in 2010 was 103, which was the same as in 2009.

PTI Sp z o.o.

As at 31/12/2010, the sale was conducted in a network of 98 sale outlets (channel dedicated to individual clients) and 23 Plus Business Advisors (channel dedicated to business clients). The average number of sale outlets in 2010 was 74, which was a rise by 56 % when compared to 2009 however the number of Plus Business Advisors in 2010 was 24, which was a rise by 13.6% when compared to 2009.

2010 was a year when the Company expanded its sale network by purchasing 41 sale outlets in the form of an organised business from Maksimum Sp. z o.o. Sk-a. The Company concentrated its efforts on unifying all processes and optimising costs.

3.2.3 Dependence on suppliers

The Group's largest contractor is still PTK Centertel Sp. z o.o. with registered office in Warsaw. Assuming revenue from the sale of telecommunications services as the basis, this operator's share in Group's revenue amounted to 60%. In 2009, the share was at the level of 66%. The fall was caused by a growth of revenues from sale in subsidiaries. None of the Group companies has any capital or personal links with PTK Centertel Sp. z o.o. or any other mobile phone operators.

3.3 Discussion of basic economic and financial data disclosed in the financial statements, in particular a description of non-typical factors and events that may have a significant influence on the Group's activities and its profits or losses of the financial year.

3.3.1 Discussion of the main income statement items

The Group's revenues amounted to kPLN 307,371, which constitutes a growth by 11% when compared to 2009, whereby the main revenue line - revenue from commissions - rose by 3%.

The Group's operating profit reached kPLN 12,336, which constituted a rise by 6% when compared to 2009. At the same time, this is the highest level of operating profit the Group has ever earned in its history.

The balance of the Group's financial income and costs was negative, similarly as in 2009, whereby its negative impact on the Group's results was higher than in 2009 (kPLN -2.105 in 2010 when compared to kPLN -675 in 2009).

Increased financial costs were accompanied by financial income decreased by kPLN 253 when compared to 2009.

The Group's gross profit reached kPLN 9,684, which constituted a rise by approx. 4% when compared to 2009.

The Group's net profit was kPLN 7,117 and was higher by 5% than in 2009.

Consolidated income statement in kPLN

INCOME STATEMENT	2010	2009	Change 2010/2009 in %
Net revenues from sale	307,371	277,403	111%
Net revenues from the sale of products	179,901	171,075	105%
Net revenues from the sale of goods	127,469	106,327	120%
Sale costs	234,451	203,248	115%
Costs of products sold	108,639	99,061	110%
Value of goods sold	125,812	104,186	121%
Gross profit on sale	72,919	74,155	98%
Sale costs	45,883	46,962	98%
Administration costs	12,437	14,434	86%
Profit on sale	14,599	12,759	114%
Other operating income	766	847	90%
Other operating expense	3,028	1,993	152%
Profit on operating activities	12,336	11,613	106%
Financial income	223	476	47%
Financial costs	2,328	1,151	202%
Profit on economic activities	10,232	10,938	94%
Impairment of subsidiary's goodwill		1,583	0%
Loss on account of control loss settlement	549		100%
Gross profit	9,684	9,354	104%
Income tax	2,566	2,568	100%
Net profit	7,117	6,786	105%

EBITDA	14,835	14,636	101.4%
Amortisation and depreciation	2,498	3,023	82.7%
EBITDA rate	4.8%	5.3%	91.5%
Gross profit on sales	23.7%	26.7%	88.7%
Profit on sale	4.7%	4.6%	103.3%
Profit on operating activities	4.0%	4.2%	95.9%
Gross profit	3.2%	3.4%	93.4%
Net profit	2.3%	2.4%	94.7%

3.3.2 Discussion of the main items of the consolidated balance sheet

In 2010, the balance sheet total went slightly down by 2% when compared to the previous year. As regards assets, 45% are fixed assets and 55% - current assets. The share of fixed assets grew by 12% when compared to the previous year – mainly owing to the acquisition of the organised business of Maksimum. Therefore, the growth in intangible assets amounted to as much as 21%. The intangible assets comprise mainly the goodwill accounted for in separate statements of companies. The share of goodwill of subsidiaries was higher by 6%. This growth was caused by an additional payment made in 2010 in relation with the final settlement of the purchase of shares in Impol Sp. z o.o.

The fall or growth in remaining fixed assets did not exceed the normal course of business of Group companies.

The share of current assets in total assets wend down by 11% when compared to the previous year. A significant item in current assets constitute receivables, whose share in total assets amounts to 42%.

The equity rose up on the previous year by 1%, whereby their share in total equity and liabilities also rose by 1% and as at the balance sheet date amounted to 37%.

The dominating item in total equity and liabilities constitute liabilities, whose share is 63%.

The Group's loan liabilities amount to kPLN 7,762, whereby kPLN 1,917 is the outstanding part of an investment loan sanctioned to Euro-Phone Sp. z o.o. by Bank DnB NORD Polska S.A., and kPLN 5,845 is an outstanding part of investment loans granted to Tell S.A. by Alior Bank S.A.

Consolidated balance sheet in kPLN

CONSOLIDATED BALANCE SHEET	2010 as at 31/12/2010		2009 as at 31/12/2009		Dynamics in % 2010/2009
	value	structure %	value	structure %	
Assets					
Fixed assets	66,541	44.9%	59,591	39.5%	112%
Goodwill of subsidiaries and associates	18,792	12.7%	17,792	11.8%	106%
Intangible fixed assets	39,320	26.5%	32,449	21.5%	121%
Tangible fixed assets	5,908	4.0%	6,721	4.5%	88%
Long-term receivables	1,258	0.8%	940	0.6%	134%
Deferred income tax assets	874	0.6%	1,172	0.8%	75%
Long-term prepayments	387	0.3%	516	0.3%	75%
Current assets	81,592	55.1%	91,412	60.5%	89%
Stocks	15,461	10.4%	19,755	13.1%	78%
Trade receivables and other receivables	61,489	41.5%	64,246	42.5%	96%
Prepayments	274	0.2%	601	0.4%	46%
Financial assets	224	0.2%	630	0.4%	36%
Cash and cash equivalents	4,145	2.8%	6,181	4.1%	67%
Total assets	148,133	100.0%	151,003	100.0%	98%
Equity & Liabilities					
Shareholder's equity	55,354	37.4%	54,547	36.1%	101%
Share capital	1,262	0.9%	1,265	0.8%	100%
Own shares	-		- 3	0.0%	0%
Supplementary capital	36,396	24.6%	36,128	23.9%	101%
Revaluation reserve			- 677	-0.4%	0%
Reserve capital	9,902	6.7%	9,902	6.6%	100%
Retained profit (loss)	677	0.5%	1,146	0.8%	59%
Net profit	7,117	4.8%	6,786	4.5%	105%
Liabilities and provisions for liabilities	92,779	62.6%	96,456	63.9%	96%
Deferred tax liabilities	4,251	2.9%	3,025	2.0%	141%
Provision for retirement benefits and similar benefits	39	0.0%	32	0.0%	120%
Other provisions	1,126	0.8%	1,548	1.0%	73%
Long-term liabilities	6,051	4.1%	6,855	4.5%	88%
Short-term liabilities	81,313	54.9%	84,997	56.3%	96%
Total equity & liabilities	148,133	100.0%	151,003	100.0%	98%

3.3.3 Discussion of the cash flow statement

As regards the cash flow statement, noteworthy is the balance of flows from operating activities, that reached the level of kPLN 16,238 in 2010 and is higher by kPLN 4,109 than in 2009. The analysis of the flows from operating activities indicates that the Group noted a fall in inventories of goods by kPLN 4,046 and a fall in liabilities by kPLN 152. The level of receivables grew by kPLN 1, 839.

In flows from investing activities, there was a repayment of loans in an amount of kPLN 437. And the amount of loans granted amounted to kPLN 33. The Group companies spent kPLN 9,385 to purchase tangible and intangible assets. The significant part of these expenditures is a consequence of acquisition of the organised business of Maksimum by PTI Sp. z o.o. - in an amount of kPLN 6,879. The expenditure to acquire shares in subsidiaries in the amount of kPLN 1.000 results from the additional payment of the price for shares in Impol Sp. z o.o. – this is the final settlement of this transaction in accordance with the share purchase contract.

In the flows from financing activities, the significant items are the dividend paid by Tell S.A. in an amount of kPLN 6,310 and repayment of loans in an amount of kPLN 1,833.

Consolidated cash flow statement in kPLN

	2010	2009
A. Cash flow from operating activity		
I. Gross profit (loss)	9,684	9,354
II. Total adjustments	6,555	2,775
1. Depreciation and amortisation, including:	2,498	3,023
2. Goodwill impairment		1,583
3. Interest	764	604
4. Loss on investment activities	49	186
5. Change in provisions	261	1,050
6. Change in inventories	4,046	5,036
7. Change in receivables	-1,839	1,620
8. Change in short-term liabilities	152	-8,017
9. Change in prepayments and accruals	244	-12
10. Paid income tax	-729	- 1648
11. Other adjustments	1,108	- 650
III. Net cash flows provided by operating activities	**16,238**	**12,129**
B. Cash flow from investing activities		
I. Inflows	1,023	3,769
1. Disposal of intangible and tangible fixed assets	547	830
2. Interest income	39	83
3. Repayment of loans	437	2,856
II. Outflows	-10,757	-17,666
1. Acquisition of intangible and tangible fixed assets	-9,385	-1,134
2. Financial assets in subsidiaries	-1,000	-13,832
3. Settlement of loss of control	-339	
4. Loans granted	-33	-2,700
III. Net cash flows provided / (used) by investing activities	**-9,734**	**-13,897**
C. Cash flow from financial activity		
I. Inflows	405	5,470
1. Loans	405	5,440
2. Interest		30
II. Outflows	-8,945	-7,044
1. Purchase of treasury shares		-832
2. Dividends to shareholders of Tell S.A.	-6,310	-3,155
3. Repayment of loans	-1,833	-2,435
4. Interest	-802	-622
III. Net cash flows provided / (used) by financing activities	**-8,540**	**-1,574**
D. Total net cash flows	-2,036	-3,342
E. Balance sheet change in cash	-2,036	-3,342
F. Cash at the period beginning	6,181	9,522
G. Cash at period end	4,145	6,181

3.4 Ratio analysis

For the correct interpretation of ratios characterising the efficiency of management of the Group's current assets and the profitability ratios based on revenues, it is necessary to explain the way of reflecting in the Group companies' books the mechanisms by which mobile phone operators subsidise the postpaid activation phones. This is even more important in the presentation of 2010 results, because due to the increase of the scale of operations of subsidiary PTI Sp. z o.o. cooperating with Polkomtel S.A. (PLUS), there were significant changes as regards these ratios. The changes are not so much a result of real changes in relations in economic values significant for the Group results, but from of a different way of settling the postpaid phone subsidies than in case of remaining operators. Irrespective, however, of a different way of mobile phone sale settlement by particular operators, the result on such operations is neutral for Group companies' results.

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 it the Company that issues a corrective invoice to the sub-agent, adjusting the original selling price.

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

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

PLUS network operator – Polkomtel S.A.

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

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

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

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

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

In consequence of such recognition, the phone sale results in relatively high revenue from the sale and high costs of sale when compared to other Group companies.

In the table below, we draw attention to the inventory and receivable turnover ratios, where there were changes resulting from the above-described settlement mechanisms.

No.	Name of ratio	Formula	Measure	2010	2009
1	**Efficiency ratio**				
1.1	Cost level ratio	tax deductible cost / sale revenue		0.95	0.95
1.2	Asset turnover ratio	sale revenue / total assets		2.07	1.84
1.3	Fixed asset turnover ratio	sale revenue / fixed assets		4.62	4.66
1.4	Current asset turnover ratio	sale revenue / current assets		3.77	3.03
1.5	Inventory turnover ratio	sale revenue / average inventory level		17.46	13.15
1.6	Inventory cycle indicator	inventories x number of days in the period / sale revenue	days	20.91	27.76
1.7	Receivables turnover ratio	sale revenue / average trade receivables level		4.98	4.86
1.8	Receivables cycle indicator	receivables x number of days in the period / sale revenue	days	73.37	75.14
2	**Effectiveness ratios**				
2.1	ROS	operating profit x 100 / sale revenue		3.15%	3.37%
2.2	NPM	net profit x 100 / sale revenue	%	2.32%	2.45%
2.3	Rate of return	net profit x 100 / total assets at period end	%	4.80%	4.49%
2.4	ROE	net profit x 100 / average equity	%	12.95%	13.10%
3	**Financial liquidity ratios**				
3.1	Liquidity I	total current assets / current liabilities		1.00	1.08

3.2	Liquidity II	current assets - inventories-prepayments&accurals / current liabilities	0.80	0.82
3.3	Liquidity III	cash / current liabilities	0.05	0.07
4	**Capital structure ratios**			
4.1	Debt ratio	total debt / equity	1.68	1.77
4.2	Equity to debt ratio	equity / total debt	0.60	0.57
4.3	Asset financing structure ratio equity	equity / total capital	0.37	0.36
4.4.	Asset financing structure ratio bank loan	bank loans / total capital	0.01	0.06
4.5.	Asset financing structure ratio liabilities	liabilities to suppliers / total capital	0.50	0.51

3.5 Factors and non-typical events influencing the result of the financial year, specifying the degree of influence of such factors or non-typical events on the result achieved by the Tell S.A. Group.

During the financial year there were no non-typical events that might have any influence on the results achieved by the Group.

3.6 Description of risk and threat factors, with a specification to what extent the Tell Group is exposed to them.

Main risk factors are:

Risk related to the macroeconomic situation of Poland

Dependence on mobile phone operators of particular Group companies

Change of sale strategy by mobile phone operators

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

Possibilities to terminate agency contracts by operators

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

3.7 Indication of court, arbitration or public administration proceedings.

Both the 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 issuer. Similarly, the total value of, respectively, liabilities and receivables litigated in court does not constitute at least 10 % of the equity of the issuer.

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

4 EXPLANATORY NOTES

4.1 Information on contracts significant for the business of the Tell Group companies, including contracts between shareholders known to the issuer, insurance contracts and cooperation contracts

4.1.1 Agency Contract of 01/06/2007

The key contract for Tell S.A. is the Agency Contract of 01/06/2007 (superseding previous contracts) on the basis of which Tell S.A. provides mobile phone system agency services for PTK Centertel Sp. z o.o. Additionally, the Company and PTK Centertel have concluded the Agency-Franchising Contract and Business Client Consultant Agency Contract.

4.1.2 Agency Contract of 01 April 2001

The key contract for Euro-Phone Sp. z o.o. is the Agency Contract of 01/04/2001 on the basis of which Euro-Phone Sp. z o.o. provides mobile phone system agency services for PTC Sp. z o.o. Additionally, the Company and PTC Sp. z o.o. concluded the Franchise Contract and Distribution Contract of 01/07/2001.

4.1.3 Network Partner Cooperation Contract (Partnership Contract) of 30/06/2010.

The key contract for PTI Sp. z o.o. is the Agency Contract of 30/06/2010 (superseding previous contracts) on the basis of which PTI Sp. z o.o. provides mobile phone system agency services for Polkomtel S.A. Additionally, the Company and Polkomtel have concluded the G300 Partner Cooperation Contract and Goods Distribution Contract.

4.2 Information about main domestic and foreign investment directions (securities, financial instruments, intangible assets and real estates), including equity investments made outside the group of related entities as well as description of their financing.

The Company and its subsidiaries have not been parties to any currency contracts (options, futures, forward), and did not hedge against currency risk in any manner.

4.3 Information on loans and credit contracts, loan maturities, sureties and guaranties granted.

LOAN CONTRACTS

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

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.

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

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.

LONG-TERM LOAN LIABILITIES **Euro-Phone Sp. z o.o.**					
Name of company	Seat	Loan amount per contract in kPLN	Loan amount outstanding as at 31/12/2010 in kPLN	Interest terms	Repayment date
BANK DnB NORD POLSKA S.A.	Warszawa	5,000	1,917	WIBOR 1M +bank margin	30/09/2013

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.

SHORT-TERM LOAN LIABILITIES **TELL S.A.**					
Name of company	Seat	Loan amount per contract in kPLN	Loan amount outstanding as at 31/12/2010 in kPLN	Interest terms	Repayment date
BANK DnB NORD POLSKA S.A.	Warszawa	5,000	none	WIBOR 1M +bank margin	30/04/2011
ALIOR BANK S.A.	Warszawa	2,000	none	WIBOR 1M + bank margin	22/03/2011

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.

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.

SHORT-TERM LOAN LIABILITIES **PTI Sp. z o.o.**					
Name of company	Seat	Loan amount per contract in kPLN	Loan amount outstanding as at 31/12/2010 in kPLN	Interest terms	Repayment date
ALIOR BANK S.A.	Warszawa	3,000	none	WIBOR 1M +bank margin	29/11/2011

Loan security:

- power of attorney to debit the borrower's accounts,
- registered pledge on movable property for the amount of kPLN 25,892.8
- 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.

BANK GUARANTEES

The Group takes advantage of guarantee lines as:

- performance guarantees
- commercial premises lease payment guarantees

The bank guarantee issuers are Bank DnB NORD Polska S.A. up to kPLN 2,800 and Alior Bank Polska SA up to kPLN 1,500. The beneficiaries are commercial networks such as Tesco, Carrefour, Real, Kaufland and other, where the Group companies lease commercial premises in commercial centres. The beneficiary of the guarantee issued by Alior Bank S.A. is Polkomtel S.A.

4.4 Information on loans granted, including maturity dates, as well as sureties and guarantees, in particular loans, guarantees and sureties granted to related parties.

4.4.1 Loans granted

As at 31/12/2010, the value of loans granted by the Parent Company including interest amounted to kPLN 5,879. Of that, respectively, for PTI Sp. z o.o.: kPLN 817 and for Euro-Phone Sp z o.o.: kPLN 5,062.

4.4.2 Securities granted

Entity/Bank	Type of liability	Value as at in kPLN	Security
		31/12/2010	
PTC Sp. z o.o.	merchant's loan	up to the debt amount	guarantee for Euro-Phone Sp. z o.o
Bank DnD Nord Polska S.A.	guarantee line facility	1,600	guarantee for Euro-Phone Sp. z o.o.
Bank DnD Nord Polska S.A.	loan	7,500	guarantee for Euro-Phone Sp. z o.o.

Alior Bank S.A.	Liability due to a limit for guarantee-type products	1,500	guarantee for PTI Sp. z o.o.

4.5 Description of mail capital investment or deposits made within the Tell Group during the financial year

The surplus of cash of the Tell Group was invested in 2010 exclusively in safe financial instruments, i.e. short-term bank deposits.

4.6 Description of the use of issue proceeds by the Issuer

In 2010, the Group companies did not issue any shares.

4.7 Explanation of differences between the financial results disclosed in the annual statement and result forecasts published earlier for the given year.

No forecasts were published.

4.8 Assessment of financial resources management and its grounds, in particular the ability to discharge liabilities incurred, determination of possible threats and measures undertaken or to planned by the issuer to counteract such threats.

In 2010, the Tell Group conducted a rational financial management. Particular Group companies timely discharged their liabilities. The Group conducted a restrictive credit policy towards its clients and monitored the receivables very closely.
The Company and its subsidiaries have not been parties to any currency contracts (options, futures, forward), and did not hedge against currency risk in any manner.

4.9 Description of the possibilities of investment plans, including equity investments, when compared to the funds held, taking into account possible changes in the financing structure.

The investment intentions will be pursued with the utilisation of funds from the current activities and, possibly, bank loans. When such instruments prove insufficient, a new share issue will be considered.

4.10 Characteristics of external and internal factors significant for the development of the issuer's business and description of the issuer's activity development perspective at least until the end of the financial year following the financial year for which the financial statements were made, including elements of the issuer;s market strategy.

The Group's strategy assumes the maximisation of the size and effectiveness of the sale network by investment in opening new sale outlets and the take-over of existing outlets from other entities. The objective of the above strategy is to achieve competitive advantage for the Group with regard to other entities operating on the mobile phone distribution market by maximisation of EBITDA and diversification of activities among all important mobile phone operators in Poland. The Group assumes a diversification of revenue owing to investments in other economic entities operating on the market using a similar business model.

The most important factors influencing the Group's financial results in 2011 include:

a) conclusion on 1 February 2011 of a new agency contract with PTK Centertel Sp. z o.o., introducing a new commission system for PTK Centertel's agents, including also Tell S.A.;
b) a take-over made in 2010;
c) situation on the mobile phone market, including:

- the growth of the market saturation,
- growth in the number of contracts prolonged with clients acquired in previous years,
- level of client migration between operators,
- rise in the sale of services of fixed and mobile access to the Internet and data transmission services,
- average revenue from a client,
- an outflow of clients to the PLAY network (at present, the Group does not cooperate with this operator and, consequently, cannot achieve any revenue from the acquisition of clients by this operator),

d) sale policy of mobile phone operators;
e) appearance on the market of possible new operators;
f) acquisition of shares in Toys4Boys.pl Sp. z o.o.

4.11 Most important achievements in research and development.

The Group did not carry out research and development projects in 2010.

4.12 Changes in basic business management principles concerning the issuer and the group.

The issuer did not change the company's and the group's business management principles.

4.13 Changes in the composition of bodies managing or supervising the issuer during the last financial year, principles governing the appointment and recalling of the management bodies as well as their competencies, in particular the right to take a decision on the issue or redemption of shares.

The Management Board of the Parent Company is composed of Mr Rafał Stempniewicz - President of the Management Board, Mr Stanisław Górski – Member of the Management Board, and Mr Robert Krasowski – Member of the Management Board.

Members of the Management Board performed their functions all through 2010.

The Supervisory Board of the Parent Company was composed of the following persons: Mr Paweł Turno – Chairman of the Supervisory Board, Mr Piotr Karmelita – Secretary of the Supervisory Board and the following Members of the Supervisory Board: Ms Mariola Więckowska, Mr Tomasz Buczak and Mr Tomasz Grabiak.

The composition of the Supervisory Board did not change in 2010.

Members of the Management Board are appointed by the Supervisory Board for a joint 5-year term of office. Also the recalling of the Members of the Management Board is the competence of the Supervisory Board. The principles of operation of the Management Board are governed by the Code of Commercial Companies, the Articles of Association and the Management Board By-Laws. The Management Board manages the Company and represents it externally. The scope of competence of the Management Board includes all issues related to the management of the Company not reserved by the law or the Articles of Association to the exclusive competence of the Meeting of Shareholders or the Supervisory Board. The power to make declarations on behalf of the Company rests with the President of the Management Board acting autonomously, two Members of the

Management Board acting jointly or one Member of the Management Board acting jointly with a commercial proxy.

4.14 Contracts made between the issuer and the managing persons providing for compensation in case of resignation or dismissal from the position without a goof reason or when the recalling or dismissal takes place due to the combination of the issuer by merger.

The Group did not enter into any compensation contracts with the management personnel in case of their resignation or dismissal.

4.15 The value of remuneration, bonuses or benefits, including incentive or bonus schemes based on the issuer's capital aid or due to the members of the management board or supervisory board as well as information on remuneration for functions in the governing bodies of subsidiaries.

During the reporting period the Parent Company did not pay any remuneration, bonuses or benefits under any incentive or bonus schemes. There were no due or potential remunerations, bonuses or benefits on this account. The Company did not grant any remuneration or benefits for functions performed in the governing bodies of subsidiaries either. The Parent Company's Management Board members received remuneration based on work contracts in their reporting period. The Parent Company's Supervisory Board members received remuneration for their functions performed in the supervisory body. The remuneration of management board and supervisory board members of the Parent Company is presented in kPLN in the table below.

SUPERVISORY BOARD	2010	2009
Paweł Turno	18	18
Mariola Więckowska	14	14
Tomasz Buczak	14	14
Piotr Karmelita	14	14
Tomasz Grabiak	14	14
total	76	76
MANAGEMENT BOARD		
Rafał Stempniewicz	605	797
Robert Krasowski	432	400
Stanisław Górski	351	326
total	1388	1523

4.16 Number and nominal value of shares in the issuer and shares in issuer's related parties that are held by the persons in management and supervisory bodies (separately for each such person) as at 31/12/2010.

Shares in Tell S.A. held by persons in the Management Board:

Rafał Maciej Stempniewicz – President of the Management Board – 297,280 shares of the nominal value of PLN 59,456,

Robert Tomasz Krasowski – Member of the Management Board – 29,981 shares of the nominal value of PLN 5,996.20,

Stanisław Jerzy Górski – Member of the Management Board – 7,548 shares of the nominal value of PLN 1,509.60.

Shares in Tell S.A. held by persons in the Supervisory Board:

Paweł Stanisław Turno – Chairman of the Supervisory Board – 170,625 shares of the nominal value of 34,125.

The persons in the management and supervisory bodies of the Company do not have any shares in subsidiaries.

4.17 Shareholders holding, directly or indirectly through subsidiary entities, at least 5% of total votes at the general meeting of shareholders of the issuer, indication of the number of shares held, their percentage of share capital, number of votes resulting and percentage of total votes at the general meeting of shareholders as at 31/12/2010.

Shareholder	Number of registered shares	Number of bearer shares	Total shares	Number of votes per registered shares	Number of votes per bearer shares	Total votes	% of share capital	% of votes
BBI Capital NFI S.A.	1,429,750		1,429,750	2,859,500		2,859,500	22.66%	33.94%
Havo Sp. z o.o.		675,000	675,000		675,000	675,000	10.70%	8.01%
Rafał Stempniewicz	175,000	122,280	297,280	350,000	122,280	472,280	4.71%	5.60%
AVIVA Investors FIO		423,549	423,549		423,549	423,549	6.71%	5.03%
Quercus Parasolowy SFIO, Quercus Absolute Return FIZ		888,235	888,235		888,235	888,235	14.08%	10.54%
	1,604,750	2,109,064	3,713,814	3,209,500	2,109,064	5,318,564	58.86%	63.12%

4.18 Information about contracts known to the issuer (including also contracts concluded after the balance sheet date) in result of which they may be in the future any changes in the proportion of shares held by present shareholders.

The Group companies do not have information about any such contracts.

4.19 Holders of any securities that give special control rights with regard to the issuer, description of such rights.

The Company did not issue any securities granting any special control rights.

4.20 Information about the employee shareholding plan control system.

There are no employee shareholding plans in Group companies.

4.21 Indication of any restrictions concerning the transfer of title to securities of the issuer and restrictions concerning the exercise of the right of vote appertaining to the issuer's shares.

The shares of the Parent Company are not burdened with any statutory restrictions concerning the transfer of shares nor the exercise of the right of vote.

4.22 Information on the Issuer's agreement with an entity authorised to audit financial statements.

On 20 November 2010, the Management Board of Tell S.A. signed an agreement with PKF Audyt Sp. z o.o. with registered office in Warsaw, entered into the list of the Polish Board of Chartered Auditors under number 548, concerning the audit of the separate and consolidated statements of Tell S.A. prepared in accordance with IFRS standards as at 31 December 2010.

The total value of consideration under the agreement with the auditor due or paid for the audit of the separate and consolidated financial statements for 2010 amounted to PLN 40,000 net.

On 20 June 2010, the Management Board of Tell S.A. signed an agreement with PKF Audyt Sp. z o.o. with registered office in Warsaw, entered into the list of the Polish Board of Chartered Auditors under number 548, concerning the review of the separate and consolidated statements of Tell S.A. prepared in accordance with IFRS standards as at 30 June 2010.
The total value of consideration under the agreement with the auditor due or paid for the review of the separate and consolidated financial statements for the first half of 2010 amounted to PLN 41.200 net.
On 07 August 2009, the Management Board of Tell S.A. signed an agreement with PKF Audyt Sp. z o.o. with registered office in Warsaw, entered into the list of the Polish Board of Chartered Auditors under number 548, concerning the review of the separate and consolidated statements of Tell S.A. prepared in accordance with IFRS standards as at 30 June 2009 and the audit of the separate and consolidated financial statement of Tell S.A. prepared in accordance with IFRS standards as at 31 December 2009.
The total value of consideration under the agreement with the auditor due or paid for the review of the separate and consolidated financial statements for the first half of 2009 and the audit of of the separate and consolidated financial statements for 2009 the amounted to PLN 67.000 net.

Poznań, 15 March 2011.

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