REPORT OF THE MANAGEMENT BOARD
ON THE ACTIVITIES OF THE
TELL S.A.
FOR 2012

TABLE OF CONTENTS

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:	**61-362 Poznań, ul. Forteczna 19a**
Country of incorporation:	**Poland**

Basic objects of business:

- other telecommunications activities,
- retail sale of telecommunications equipment in specialised stores,
- retail sale of computers, peripheral equipment and software in specialised stores,
- wholesale of electronic and telecommunications equipment and parts,
- wholesale of computers, peripheral equipment and software,
- other retail sale not in stores, stalls or markets,
- computer facilities management activities,
- other business and management consultancy activities.

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 2012

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
Piotr Karmelita	-	Member of the Supervisory Board
Mariola Więckowska	-	Member of the Supervisory Board
Adam Wojacki	-	Member of the Supervisory Board
Łukasz Kręski	-	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

Grant Thornton Frąckowiak Sp. z o.o., Sp.k.

ul. Abpa A. Baraniaka 88E

61-131 Poznań

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 2012

As at the balance sheet date, the value of share capital of Tell S.A. amounts to PLN 1.135.606,00. The capital is divided into 5.678.030 shares of the nominal value of PLN 0.20 each, including:

- 1.534.104 series A registered preferential shares (one share entitles to two votes)
- 4.143.926 ordinary bearer shares.

2 Related parties

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 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),
- 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. Forteczna 19A, 61-362 Poznań,
- 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.

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.

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.

The companies Tell S.A, Euro-Phone Sp. z o.o. and PTI Sp. z o.o. operate on the market of mobile telephony services distribution. In 2012, the Group operated on the basis of agency contracts with 3 biggest mobile phone operators. Business models of all above-mentioned Group companies are very similar.
The company Toys4BoysPl Sp. z o.o., in turn, is a leader on the market of gifts and gadgets. It runs 13 stores located in shopping malls and one Internet store. Connex Sp. z o.o. does not carry on any business activities.

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)	2012	2011	Change 2012/2011
Revenue from the sale of telecommunication services	113,469	128,621	88.22%
Sets and pre-paid refillments	22,812	28,028	81.39%
Postpaid contract phones	146,261	119,359	122.54%
Other revenue	10,623	11,659	91.11%
Total	293,165	287,668	101.91%

Service sale volume	2012	2011	Change 2012/2011
Postpaid activations	565,464	653,187	86.57%
Prepaid activations	146,300	161,020	90.86%
Total	711,764	814,207	87.42%

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 basis for the business of the Tell S.A. Group companies is the market of mobile telephony and, to an ever growing extent, the market of wide band Internet access and paid television. In 2012, the Companies' revenues based, similarly as in previous years, on the transaction model. i.e. the remuneration received from the Operator for the new client acquisition or for the extension of the old client's contract for telecommunications services. A supplementary source of income of the companies are bonuses related to the after-sale service and maintenance of sale standards.

When it comes to new client acquisition, particular attention must be paid to the fact that these are not only clients who have not had a mobile phone so far but also those migrating from the pre-paid to the post-paid segment as well as clients migrating between mobile phone operators in the post-paid service segment. Therefore, what must be taken into consideration is the fact that the most frequently published data concerning the SIM card market saturation reflect only partially the revenue potential.

The number of mobile phone users rose in 2012 by 7%, to the level of over 54 million. This means, that the market penetration ratio for mobile telephony (among individuals) amounted to 141%, as compared to 132.7% as at the end of 2001 and 124.3% as at the end of 2010.

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 31/12/2012, the sale was conducted in a network of 184 sale outlets (channel dedicated to individual clients) and 43 Business Client Consultants (channel dedicated to business clients). The average number of sale outlets in 2012 was 188, which was a fall by 15% when compared to 2011, however the number of Business Client Consultants in 2012 was 55, which was a fall by 20% when compared to the average number in 2011.

Considering the scale of the PTK Centertel network downsizing, the Company estimates that its share in the operator's sale network at the end of 2012 did not change when compared to 2011. Consequently, the Company maintained its position of PTK Centertel's biggest agent.

EURO-PHONE Sp. z o.o.

As at 31/12/2012, the sale was conducted in a network of 95 sale outlets (channel dedicated to individual clients) and 71 Business Client Consultants (channel dedicated to business clients). The average number of sale outlets in 2012 was 99, which was a fall by 6.60% when compared to 2011, however the number of Business Client Consultants in 2012 was 78, which was a fall by 16% when compared to 2011.

PTI Sp z o.o.

As at 31/12/2012, the sale was conducted in a network of 84 sale outlets (channel dedicated to individual clients) and 24 Plus Business Advisers (channel dedicated to business clients). The average number of sale outlets in 2012 was 94, which was a fall by 2% when compared to 2011, however the number of Plus Business Advisers in 2012 was 24 and did not change when compared to the previous year.

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 53%. In 2011, the share was at the level of 58%. 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 revenue from the sale amounted to kPLN 293.165 and was higher by 1.9% than in the corresponding period of previous year.

The operating profit for 2012 amounted to kPLN 12541 and was lower by 0.8% than in the corresponding period of previous year.

EBITDA of 2012 amounted to kPLN 14.295 and was lower by 2.9% than in the previous year.

The 2012 net profit was kPLN 9.316 and was lower than in the previous year by 1.2%.

Consolidated income statement in kPLN

	from 01/01 to 31/12/2012	from 01/01 to 31/12/2011	2012/2011
Sale revenues	**293,165**	**287,668**	**101.9%**
Revenue from the sale of services	171,230	173,645	98.6%
Revenue from the sale of goods and materials	121,935	114,023	106.9%
Sale costs	**229,582**	**221,523**	**103.6%**
Costs of services sold	110,641	109,857	100.7%
Cost of goods and materials sold	118,941	111,666	106.5%
Gross profit (loss) on sales	**63,582**	**66,145**	**96.1%**
Sale costs	40,177	41,289	97.3%
Administration costs	9,345	11,721	79.7%
Other operating income	510	1,055	48.3%
Other operating expense	2,029	1,554	130.6%
Operating profit (loss)	**12,541**	**12,636**	**99.2%**
Financial income	490	238	205.9%
Financial costs	909	956	95.1%

Profit (loss) before taxation	**12,122**	**11,917**	**98.8%**
Income Tax	**2,806**	**2,492**	112.6%
Net profit	9,316	9,426	**98.8%**

EBITDA	14,295	14,724	97.1%
Amortisation and depreciation	1,754	2,088	84.0%
EBITDA rate	4.9%	5.1%	95.3%
Gross profit on sales	21.7%	23.0%	94.3%
Profit on sales	4.8%	4.6%	105.0%
Operating profit	4.3%	4.4%	97.4%
Gross profit	4.1%	4.1%	99.8%
Net profit	3.2%	3.3%	97.0%

3.3.2 Discussion of the main items of the consolidated balance sheet

In the resented balance sheet, the value of the balance sheet total was slightly lower by 6.80% when compared to the previous year, from kPLN 144,731 in 2011 to kPLN 134,950 in 2012.

The fixed assets constitute 49.1% of total assets. The share of fixed assets in total assets grew when compared to the previous year by 3%. The structure of this group is stable.

The current assets constitute 50.9% of total assets. Their share went down by 3.0% when compared to the previous year. The value of current assets decreased from kPLN 77,943 in 2011 to kPLN 68,757 in 2012, (by 11.8%). A significant item is the heading "Short-term receivables", which constitute 35.4% of the balance sheet total, and "Inventories" which constitute 8.0% of the balance sheet total. The value of inventories and receivables went down – inventories by 15.5% and receivables by 9.6%. The fall in the value of inventories and receivables is a result of the sale network downsizing.

Equity constitutes 44.6% of total liabilities and equity. Its value went slightly up when compared to the previous year.

Total liabilities constitute 55.4% of total liabilities and equity. whereby long-term liabilities amount to 6.8% and short-term ones to 48.6%. The value of total liabilities fell by 12.1% from kPLN 85,000 in 2011 to kPLN 74,744 in 2012.

The Group's credit liabilities amount to kPLN 5,712, whereby kPLN 2,767 is the outstanding part of an investment loan sanctioned to Euro-Phone Sp. z o.o. by Bank DnB NORD Polska S.A., kPLN 522 is the overdraft facility used by Euro-Phone Sp. z o.o. and kPLN 2,423 is an outstanding part of investment loans granted to Tell S.A. by Alior Bank S.A.

The share of trade liabilities in liabilities and equity went down from 48.9% to 42.8% in 2012.

In terms of value, the liabilities decreased from kPLN 70,708 in 2011 to kPLN 57,747 in 2012. The fall in liabilities results, similarly as in the case of trade receivables, from the sale network downsizing and a change in the manner of settlements with the Orange network operator as well as with the settlement of all liabilities towards this operator due to the purchase of phones, which arose by 30 April 2012. The new settlement method was implemented on 1 May 2012. This change is only a technical in its nature and is related to the way of settling invoices correcting the sale with sale invoices. The Orange network operator did not change the payment terms or the terms of delivery of goods.

Consolidated balance sheet in kPLN

ASSETS	31/12/2012		31/12/2011		2012/2011
Fixed assets	value	structure	value	structure	dynamics
Goodwill	57,581	87.0%	57,581	39.8%	100.0%

Intangible fixed assets	957	1.4%	485	0.3%	197.3%
Tangible Fixed Assets	4,133	6.2%	5,059	3.5%	81.7%
Interests in related parties	1,287	1.9%	1,287	0.9%	100.0%
Receivables and loans	1001	1.5%	1184	0.8%	84.5%
Long-term prepayments	235	0.4%	304	0.2%	77.3%
Deferred income tax assets	999	1.5%	888	0.6%	112.5%
Fixed assets	**66,193**	**49.1%**	**66,788**	**46.1%**	**99.1%**
Current assets					
Inventories	10,744	8.0%	12,744	8.8%	84.3%
Trade receivables and other	47,757	35.4%	52,804	36.5%	90.4%
Current tax assets	258	0.2%	78	0.1%	330.8%
Loans	268	0.2%	22	0.02%	1218.2%
Short-term prepayments	377	0.3%	321	0.2%	117.4%
Cash and cash equivalents	9,352	6.9%	11,975	8.3%	78.1%
Current assets	**68,757**	**50.9%**	**77,943**	**53.9%**	**88.2%**
Total assets	**134,950**	**100.0%**	**144,731**	**100.0%**	**93.2%**

EQUITY AND LIABILITIES	31/12/2012		31/12/2011		2012/2011
Shareholder's equity	value	structure	value	structure	dynamics
Equity - share of the company shareholders:					
Share capital	1,136	0.8%	1,262	0.9%	90.0%
Share premium	24,863	18.4%	24,863	17.2%	100.0%
Other reserve capitals	1,186	0.9%	9,902	6.8%	12.0%
Retained profits:					
- retained profit	23,705	17.6%	14,279	9.9%	166.0%
- net profit for the company's shareholders	9,316	6.9%	9,426	6.5%	98.8%
Equity - share of the shareholders of the	60,206	44.6%	59,732	41.3%	100.8%
Shareholder's equity	**60,206**	44.6%	**59,732**	**41.3%**	**100.8%**
Liabilities					
Long-term liabilities					
Loans, credits, other loan instruments	2,339	1.7%	3,840	2.7%	60.9%
Deferred tax liabilities	6,720	5.0%	5,837	4.0%	115.1%
Employee benefit liabilities	74	0.1%	36	0.02%	205.6%
Long-term liabilities	**9,133**	**6.8%**	**9,712**	**6.7%**	**94.0%**
Short-term liabilities					
Trade liabilities and other	57,747	42.8%	70,708	48.9%	81.7%
Current tax liabilities	1,232	0.9%	184	0.1%	669.6%
Loans, credits, other loan instruments	3,373	2.5%	1,856	1.3%	181.7%
Employee benefit liabilities	3,163	2.3%	2,329	1.6%	135.8%
Other short-term provisions	96	0.1%	211	0.1%	45.5%
Short-term liabilities	**65,611**	**48.6%**	**75,228**	**52.0%**	**87.2%**
Total provisions	**74,744**	**55.4%**	**85,000**	**58.7%**	**87.9%**
Total equity and liabilities	**134,950**	**100.0%**	**144,731**	**100.0%**	**93.2%**

3.3.3 Discussion of the cash flow statement

Cash flows of the Group – are characterised by a positive flow from operating activities and a negative flow from the investing activities and financial activities.

The analysis of the flows from operating activities indicates that the Group noted a fall in inventories of goods by kPLN 1,999, in receivables by kPLN 5,230 and in liabilities by as much as kPLN 12,845. The above-mentioned falls are related to the sale network downsizing and, in case of liabilities, with the change of the manner of settlements with the Orange network operator. The interest income at the level comparable to the previous year's.

In the flows from the investing activities, a significant item is the expenditure to purchase fixed assets in the amount of kPLN 1,716.

In the flows from financing activities, the significant item is the expenditure on the purchase of treasury shares in the amount of kPLN 8,842.

Consolidated cash flow statement in kPLN

	Notes	from 01/01 to 31/12/2012	from 01/01 to 31/12/2011
Cash flow from operating activity			
Profit (loss) before taxation		**12,122**	**11,917**
Adjustments:	22		
Depreciation of tangible fixed assets		1,754	2,088
Profit (loss) on the sale of non-financial fixed assets		219	350
Exchange difference gains/losses			7
Interest expense		676	705
Interest and dividend income		-309	-44
Other adjustments			-1
Total adjustments		2,340	3,105
Change in inventories		1,999	2,717
Change in receivables	22	5,230	8,758
Change in liabilities	22	-12,845	-7,048
Change in provisions and prepayments		657	184
Changes in working capital		-4,959	4,611
Taxes paid		-1,167	-1,397
Net cash flow from operating activity		**8,336**	**18,236**
Cash flow from investment activity			
Expenses to purchase fixed assets		-1,716	-1,845
Inflows from the sale of fixed assets		197	304
Net expenses to purchase related parties			-1,287
Received repayments of loans granted		534	2,415
Loans granted		-781	-2,236
Interest income		311	68
Net cash flow from investing activity		**-1,455**	**-2,581**
Cash flow from financial activity			
Purchase of treasury shares		-8,842	
Inflows from loans and credits contracted		3,939	
Repayment of loans and advances		-3,937	-2,066
Interest paid		-663	-705
Dividends paid			-5,048
Net cash flow from financial activity		**-9,504**	**-7,819**
Net change in cash and cash equivalents		**-2,623**	**7,837**
Cash and cash equivalents at period beginning		11,975	4,145
Exchange differences			-7
Cash and cash equivalents at period end		**9,352**	**11,975**

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. 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 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.

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.

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 2012 and 2011, respectively, kPLN 215.996 and kPLN 226.673. The costs of sale in 2012 and 2011 would be, respectively, kPLN 152.414 and kPLN 163.528.

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 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. z o.o.

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	2012	2011
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		2.17	1.99
1.3	Fixed asset turnover ratio	sale revenue / fixed assets		4.43	4.31
1.4	Current asset turnover ratio	sale revenue / current assets		4.26	3.69
1.5	Inventory turnover ratio	sale revenue / inventories		27.29	22.57
1.6	Inventory cycle indicator	inventories x number of days in the period / sale revenue	days	13.38	16.17
1.7	Receivables turnover ratio	sale revenue / trade receivables		5.98	5.44
1.8	Receivables cycle indicator	receivables x number of days in the period / sale revenue	days	61.03	67.10
2	**Effectiveness ratios**				
2.1	ROS	operating profit x 100 / sale revenue	%	4.34%	4.14%

2.2	NPM	net profit x 100 / sale revenue	%	3.18%	3.28%
2.3	Rate of return	net profit x 100 / total assets at period end	%	6.90%	6.51%
2.4	ROE	net profit x 100 / equity	%	14.57%	13.68%
3	**Financial liquidity ratios**				
3.1	Liquidity I	total current assets / current liabilities		1.05	1.05
3.2	Liquidity II	current assets - inventories-prepayments&accurals / current liabilities		0.88	0.87
3.3	Liquidity III	cash / current liabilities		0.14	0.16
4	**Capital structure,ratios**				
4.1	Debt ratio	total debt / equity		1.24	1.42
4.2	Equity to debt ratio	equity / total debt		0.81	0.70
4.3	Asset financing structure ratio equity	equity / total capital		0.45	0.41
4.4.	Asset financing structure ratio bank loan	bank loans / total capital		0.04	0.04
4.5.	Asset financing structure ratio liabilities	liabilities to suppliers / total capital		0.40	0.47

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

Sale network downsizing

Dependence on mobile phone operators of particular Group companies

Change of the sale strategy by mobile phone operators (including a sale network downsizing)

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 20/11/2012

The key contract for Tell S.A. is the Agency Contract with Orange of 20 November 2012 (superseding previous contracts and effective as of 1 October 2012) on the basis of which Tell S.A. provides mobile phone system agency services for PTK Centertel Sp. z o.o.

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.

	Interest rate	Maturity date	Value in PLN	Liability as at 31/12/2012	
				short-term	long-term
Credit facilities in the credit account with Bank DnB Nord Polska	variable	31/05/2015	3,417	1,140	1,626
Overdraft facilities with Bank DnB Nord Polska	variable	31/05/2013	1,000	522	
Credit facilities in the credit account with Alior Bank S.A.	variable	30/05/2014	8,000	1,711	713

The loan liabilities of the Group are covered by the following collaterals (as at the balance sheet day):

- pledge on shares of PTI Sp. z o.o. and Euro-Phone up to the amount of kPLN 46,840 (2011: 46,840 k PLN),
- registered pledge on inventories and inventory repossession contracts up to the amount of 33,625 k (2011: 33,625 k PLN),
- registered pledge on movable property up to the amount of kPLN 10.000 (2011: 6,000 k PLN),
- assignment of rights under insurance policies,.
- statement on enforcement,
- power of attorney to dispose of the current and future inflows to the bank account.

As at 31/12/2012, the following assets of the Group (in their carrying amounts) constituted collaterals and guarantees for the repayment of liabilities:

	31/12/2012	31/12/2011
Intangible Fixed Assets		
Tangible fixed assets, including leased assets		
Financial assets (other than receivables)	1,286	1,286
Inventories	12,941	16,555
Movable property	18,413	18,413
Trade receivables and other		
Cash		
Total carrying amount of assets constituting a liability collateral	**32,640**	**39,195**

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 31/12/2012, the value of loans granted to the Group companies by Tell S.A. amounted to kPLN 7,482. Of that, respectively, for PTI Sp. z o.o.: kPLN 3.200 and for Euro-Phone Sp z o.o.: kPLN 4.282. The loans mature in 2013. The loans are granted at variable interest rates calculated as the sum of the following components: interest rate determined as above plus a margin of 3.50%.
The interest rate changes with each first day of a calendar month of the contract validity pro rata to the reference rate calculated and rounded up/down to the second digit on the basis of the arithmetical average of 1M WIBOR for deposits over the last 10 working days of the previous calendar month.

4.4.2 Securities granted

Entity	Type of liability	Value as at in kPLN	Beneficiary
		31/12/2012	
PTC Sp. z o.o.	merchant's loan	6,300	Euro-Phone Sp. z o.o.
Bank DnD Nord Polska S.A.	guarantee line facility	4,200	Euro-Phone Sp. z o.o.

Bank DnD Nord Polska S.A.	loan	5,125	Euro-Phone Sp. z o.o.
Alior Bank S.A.	loan	10,000	PTI Sp. z o.o.
Alior Bank S.A.	guarantee line facility	2,600	PTI Sp. z o.o.
Polkomtel S.A.	merchant's loan	1,200	PTI Sp. z o.o.
Alior Bank S.A.	loan	4,000	Tell S.A.

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 2012 exclusively in safe financial instruments, i.e. short-term bank deposits.

4.6 Description of the use of issue proceeds by the Issuer

In 2012, 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 2012, 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 2013 include:

a) 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),

b) sale policy of mobile phone operators, in particular with regard to the tendency to decrease the sale network;

c) entrance on the market of possible new operators, including MVNO and cable televisions;

4.11 Most important achievements in research and development.

The Group did not carry out research and development projects in 2012.

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.

In the financial year, there were no changes of persons managing and supervising Tell S.A.

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.

The Management Board has the right to take decisions as to the acquisition of treasury shares in the scope as authorised by the provisions of the Code of Commercial Companies (e.g. on the basis of art.362 §1 item 1) of the Code of Commercial Companies).

§6 of the Articles of Association contains an authority for the Management Board to increase the issuer's share capital by an issue of new shares towards the target capital, however due to the three-year deadline by which this authority was granted, it expired pursuant to clause 2 of §6 of the Articles of Association.

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.

	2012	2011
Members of the Management Board		
Rafał Stempniewicz	661	621
Stanisław Górski	319	320
Robert Krasowski	447	403
	1,428	1,344
Members of the Supervisory Board		
Tomasz Buczak		12
Tomasz Grabiak		5
Piotr Karmelita	18	13
Łukasz Kręski	18	1
Marek Piątkowski		7
Paweł Turno	22	16
Mariola Więckowska	18	13
Adam Wojacki	18	1
	94	67
total	1,522	1,411

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 31/12/2012.

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

Rafał Maciej Stempniewicz – President of the Management Board – 257,854 shares of the nominal value of PLN 51,570.80,

Robert Tomasz Krasowski – Member of the Management Board – 13,409 shares of the nominal value of PLN 2,681.80,

Stanisław Jerzy Górski – Member of the Management Board – 2,456 shares of the nominal value of PLN 491.20.

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

Paweł Stanisław Turno – Chairman of the Supervisory Board – 152,529 shares of the nominal value of PLN 30,505.80.

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 31/12/2012.

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.	1,286,632		1,286,632	2,573,264		2,573,264	22.66%	35.68%
Havo Sp. z o.o.		675,000	675,000		675,000	675,000	11.89%	9.36%
Rafał Stempniewicz	157,482	100,372	257,854	314,964	100,372	415,336	4.54%	5.76%
AVIVA Investors FIO AVIVA Investors SFIO		657,672	657,672		657,672	657,672	11.58%	9.12%
Quercus Parasolowy SFIO		893,461	893,461		893,461	893,461	15.74%	12.39%
	1,444,114	2,326,505	3,770,619	2,888,228	2,326,505	5,214,733	66.41%	72.30%

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.

Remuneration paid or due to in kPLN

	2012	2011
- for the audit of the separate and consolidated financial statements	39	38
- for other attestation services, including the review of the separate and consolidated financial statements	29	29
- for tax advisory services	78	11
- for other services		
Total	146	78

In 2012, the Management Board of Tell S.A. signed an agreement with Grant Thornton Frąckowiak Sp. z o.o. s.k. with registered office in Poznań, entered into the list of the Polish Board of Chartered Auditors under number 3654, concerning the audit of the separate and consolidated statements of Tell S.A. prepared in accordance with IFRS standards as at 31 December 2012 and the audit of the mid-year separate and consolidated financial statement of Tell S.A. prepared in accordance with IFRS standards for the period from 1 January to 30 June 2012.

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 2012 and for the mid-year audit amounted to PLN 68.900 net.

Poznań, 15 March 2012.

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