

**TELL S.A.GROUP**

Quarterly consolidated financial statement  
for 3Q 2010

## 1. Selected consolidated financial data

	in thousand PLN		in thousand EURO	
	2010 period from 01.01.2010 to 30.09.2010	2009 period from 01.01.2009 to 30.09.2009	2010 period from 01.01.2010 to 30.09.2010	2009 period from 01.01.2009 to 30.09.2009
I. Net sales revenue on sales of products, goods and materials	209,795	186,406	52,413	42,372
II. Operating profit	7,276	6,835	1,818	1,554
III. Gross profit	5,027	6,396	1,256	1,454
IV. Net profit	3,627	4,869	906	1,107
V. Net cash flows provided by operating activities	8,977	5,939	2,243	1,350
VI. Net cash flows provided by investing activities	9,489	13,432	2,371	-3,053
VII. Net cash flows provided by financing activities	3,347	576	836	131
VIII. Total net cash flows	3,859	-6,917	964	-1,572
IX. Total assets	142,086	143,169	35,637	33,905
X. Liabilities and provisions for liabilities	90,222	89,863	22,629	21,281
XI. Long-term liabilities	6,566	7,405	1,647	1,754
XII. Short-term liabilities	79,056	79,584	19,829	18,847
XIII. Equity	51,864	53,307	13,008	12,624
XIV. Share capital in PLN	1,261,924.60	1,265,000	316,510	299,578
XV. Weighted average number of shares (figure)	6,309,623	6,157,121	6,309,623	6,157,121
XVI. Profit per one ordinary share (in PLN/EURO)	0.57	0.79	0.14	0.18
XVII. Diluted profit per one ordinary share (in PLN/EURO)	0.57	0.79	0.14	0.18
XVIII. Number of shares minus treasury shares	6,309,623	6,309,623	6,309,623	6,309,623
XIX. Book value per one share (in PLN/EURO)	8.22	8.45	2.06	2.00
XX. Diluted book value per one share (in PLN/EURO)	8.22	8.45	2.06	2.00
XXI. (in PLN/EURO)				

## 2. Consolidated statement of financial position

	2010 as at the end of 30.09.2010	2009 as at the end of 31.12.2009	2009 as at the end of 30.09.2009
Assets			
Fixed assets	68,231	59,591	61,826
Intangible assets	39,100	32,449	32,513
Goodwill	18,792	17,792	19,311
Tangible fixed assets	6,540	6,721	7,185
Long-term receivables	2,254	940	1,155
Deferred tax assets	1,126	1,172	1,114
Long-term prepayments	419	516	549
Current assets	73,855	91,412	81,343
Inventories	14,397	19,755	20,728
Trade and other receivables	56,252	64,246	56,476
Financial assets	241	630	432
Prepayments	644	601	1,101
Cash and cash equivalents	2,321	6,181	2,606
Total assets	142,086	151,003	143,169

Equity and liabilities			
Shareholders' equity	51,864	54,547	53,307
Share capital	1,262	1,265	1,265
Treasury shares		-,3	-,3
Supplementary capital	36,396	36,128	36,128
Revaluation reserve		-,677	
Reserve capital	9,902	9,902	9,902
Retained profit	677	1,146	1,146
Net profit	3,627	6,786	4,869
Liabilities and provisions for liabilities	90,222	96,456	89,863
Deferred tax liability	4,145	3,025	2,456
Provisions for retirement benefits and similar	68	32	18
Other provisions	387	1,548	400
Long-term liabilities	6,566	6,855	7,405
Short-term liabilities	79,056	84,997	79,584
Total equity and liabilities	142,086	151,003	143,169

### 3. Consolidated comprehensive income statement

	3 Q 2010 period from 01.07.2010 to 30.09.2010	2010 period from 01.01.2010 to 30.09.2010	3Q 2009 period from 01.07.2009 to 30.09.2009	2009 period from 01.01.2009 to 30.09.2009
Net revenue on sales	77,488	209,795	72,213	186,406
- from related parties				
Net revenue on sales of products	44,375	124,501	44,537	114,559
Net revenue on sales of goods	33,112	85,293	27,676	71,847
Costs of sale	60,252	161,205	50,779	126,804
- from related parties				
Manufacturing costs of products sold	27,413	77,429	23,945	57,707
Value of products sold	32,839	83,775	26,834	69,097
Gross profit on sale	17,235	48,590	21,433	59,601
Costs of sale	11,095	32,456	15,134	43,398
Overheads	2,935	8,599	4,118	9,198
Other operating revenue	185	365	192	549
Other operating costs	247	624	273	720
Operating profit	3,142	7,276	2,101	6,835
Financial income	43	183	14	232
Financial costs	442	1,884	215	671
Result on the loss of control settlement		549		
Gross profit	2,743	5,027	1,899	6,396
Income tax	596	1,400	557	1,527
a) current	207	235	214	737
b) deferred	389	1,165	343	790
Net profit on continued activity	2,147	3,627	1,342	4,869
Total other income				
Total other income after tax				
Total income	2,147	3,627	1,342	4,869

#### 4. Consolidated cash flow statement

	2010 period from 01.01.2010 to 30.09.2010	2009 period from 01.01.2009 to 30.09.2009
Gross profit	5,027	6,396
Total adjustments	3,950	-456
Depreciation & amortization, including:	1,880	2,349
Interest and share in profits (dividends)	595	203
Profit on ordinary activity	-12	89
Change in provisions	-448	
Change in inventories	5,109	3,983
Change in receivables	2,469	9,432
Change in ST liabilities excluding loans and credits	-6,023	-14,973
Change in prepayments and accruals	-226	-481
Income tax paid	-501	-1,059
Other adjustments	1,108	
Net cash flows provided by operating activities	8,977	5,939
Cash flows from investment activities		
Inflows	827	3,813
Disposal of intangible and tangible fixed assets	374	874
From financial assets, including: interest	39	83
Repayment of loans	414	2,856
Outflows	-10,316	-17,245
Acquisition of intangible and tangible fixed assets	-2,065	-1,286
Financial assets in related parties	-7,879	-13,459
Loss of control over Connex Sp. z o.o. - cash	-339	
Granting loans	-33	-2,500
Net cash flows provided by investing activities	-9,489	-13,432
Cash flows from financial activity		
Inflows	4,358	6,182
Loans and credits	4,358	6,140
Interest		42
Outflows	-7,706	-5,606
Acquisition of treasury shares	0	-832
Payment of dividend	-6,310	-3,155
Repayment of loans and credits	-750	-1,235
Interest	-646	-384
Net cash flows provided by financing activities	-3,347	576
Total cash flows	-3,859	-6,917
Cash flow at period beginning	6,181	9,522
Cash flow at period end, including:	2,321	2,606
- with restricted availability		

## 5. Consolidated statement of changes in shareholders' equity

	2010 status as at the end of 30.09.2010	2009 status as at the end of 30.09.2009
Shareholders' equity at period beginning	54,547	49,026
Shareholders' equity at period beginning (OB), after adjustment to comparable data	54,547	49,026
Share capital at period beginning	1,265	1,265
Changes – redemption of treasury shares	-3	
Share capital at period end	1,262	1,265
Treasury shares at period beginning	-3	-73
Changes in treasury shares	3	70
a) increase due to acquisition of treasury shares		-27
b) decrease due to redemption of treasury shares	3	97
Treasury shares at period end	0	-3
Supplementary capital at period beginning	36,128	32,028
Changes in supplementary capital	268	4,099
a) increase (due to)	268	4,099
- from sale over the face value		189
- from the distribution of profit	268	3,910
b) decrease (due to)		
Supplementary capital at period end	36,396	36,128
Revaluation reserve at period beginning	-677	
Changes in the revaluation reserve – presentation adjustment related to loss of control over Connex Sp. z o.o.	677	
Revaluation reserve at period end	0	
Other reserve capital at period beginning	9,902	7,595
Changes in other reserve capital		2,307
a) increase (due to)		3,112
- sale of treasury shares		3,112
b) decrease due to acquisition of treasury shares		805
Other reserve capital at period end	9,902	9,902
Profit brought forward from previous years at period beginning	7,932	8,211
a) decrease due	-7,255	-7,065
- distribution of profit	-268	-4,099
- payment of dividend	-6,310	-2,966
- presentation adjustment	-677	
Profit brought forward from previous years at period end	677	1,146
Net result	3,627	4,869
net profit	3,627	4,869
Shareholders' equity at period end (CB)	51,864	53,307

## 6. Selected separate financial data

SELECTED FINANCIAL DATA	In thousand PLN		In thousand EURO	
	2010 period from 01.01.2010 to 30.09.2010	2009 period from 01.01.2009 to 30.09.2009	2010 period from 01.01.2010 to 30.09.2010	2009 period from 01.01.2009 to 30.09.2009
I. Net sales revenue on sales of products, goods and materials	85,993	87,331	21,484	19,851
II. Operating profit	2,883	5,777	720	1,313
III. Gross profit	3,323	6,040	830	1,373
IV. Net profit	2,647	4,553	661	1,035
V. Net cash flows provided by operating activities	5,074	3,919	1,268	891
VI. Net cash flows provided by investing activities	-4,220	-15,546	-1,054	-3,534
VII. Net cash flows provided by financing activities	-1,350	2,884	-337	656
VIII. Total net cash flows	-496	-8,744	-124	-1,988
IX. Total assets	109,743	112,667	27,525	26,682
X. Liabilities and provisions for liabilities	59,695	60,981	14,972	14,442
XI. Long-term liabilities	4,562	4,400	1,144	1,042
XII. Short-term liabilities	51,643	53,848	12,953	12,752
XIII. Equity	50,048	51,686	12,553	12,240
XIV. Share capital in PLN	1,261,924,60	1,265,000	316,510	299,578
XV. Weighted average number of shares (figure)	6,309,623	6,157,121	6,309,623	6,157,121
XVI. Profit per one ordinary share (in PLN/EURO)	0,42	0,74	0,10	0,17
XVII. Diluted profit per one ordinary share (in PLN/EURO)	0,42	0,74	0,10	0,17
XVIII. Number of shares minus treasury shares	6,309,623	6,309,623	6,309,623	6,309,623
XIX. Book value per one share (in PLN/EURO)	7,93	8,19	1,99	1,94
XX. Diluted book value per one share (in PLN/EURO)	7,93	8,19	1,99	1,94
XXI. Dividend declared or paid out per one share (in PLN/EURO)				

## 7. Separate statement of financial position

	2010 status as at the end of 30.09.2010	2009 status as at the end of 31.12.2009	2009 status as at the end of 30.09.2009
Assets			
Fixed assets	51,888	48,754	55,673
Intangible assets	21,569	21,705	21,748
Tangible fixed assets	4,124	4,585	5,188
Long-term receivables	735	730	902
Investments in subsidiaries	24,349	20,585	26,921
Deferred tax assets	691	632	364
Long-term prepayments	419	516	549
Current assets	57,855	66,946	56,994
Inventories	12,316	16,297	17,824
Trade and other receivables	34,615	39,097	32,945
Financial assets	10,080	10,396	4,951
Prepayments	428	244	838
Cash and cash equivalents	416	912	437
Total assets	109,743	115,700	112,667

Equity and liabilities			
Shareholders' equity	50,048	53,710	51,686
Share capital	1,262	1,265	1,265
Treasury shares		-3	-3
Supplementary capital	36,237	35,969	35,969
Reserve capital	9,902	9,902	9,902
Net profit	2,647	6,578	4,553
Liabilities and provisions for liabilities	59,695	61,989	60,981
Deferred tax liability	3,233	2,498	2,323
Provisions for retirement benefits and similar	10	10	10
Other provisions	246	685	400
Long-term liabilities	4,562	4,100	4,400
Short-term liabilities	51,643	54,696	53,848
Total equity and liabilities	109,743	115,700	112,667



## 8. Separate comprehensive income statement

	3Q 2010 period from 01.07.2010 to 30.09.2010	2010 period from 01.01.2010 to 30.09.2010	3Q 2009 period from 01.07.2009 to 30.09.2009	2009 period from 01.01.2009 to 30.09.2009
Net revenue on sales	29,247	85,993	30,279	87,331
- from related parties	143	675	14	123
Net revenue on sales of products	20,004	60,998	21,601	65,630
Net revenue on sales of goods	9,243	24,996	8,678	21,701
Costs of sale	18,471	53,088	17,998	50,328
- from related parties	143	675	14	123
Manufacture costs of products sold	9,646	29,446	9,988	29,941
Value of products sold	8,825	23,642	8,009	20,387
Gross profit on sale	10,776	32,906	12,281	37,003
Costs of sale	7,901	24,720	8,260	25,721
Overheads	1,631	5,030	2,397	5,324
Other operating revenue	124	179	78	239
Other operating costs	242	451	108	420
Operating profit	1,126	2,883	1,594	5,777
Financial income	148	1,643	165	676
Financial costs	218	1,204	160	413
Gross profit	1,057	3,323	1,599	6,040
Income tax	254	676	503	1,487
a) current			310	690
b) deferred	254	676	193	797
Net profit on continued activity	803	2,647	1,096	4,553
Total other income				
Total other income after tax				
Total income	803	2,647	1,096	4,553

## 9. Separate cash flow statement

	2010 period from 01.01.2010 to 30.09.2010	2009 period from 01.01.2009 to 30.09.2009
Gross profit	3,323	6,040
Total adjustments	1,751	-2,121
Depreciation & amortization, including:	1,315	1,812
Interest and share in profits (dividends)	-1,053	-375
Profit on ordinary activity	-53	-47
Change in inventories	3,981	2,621
Change in receivables	4,543	10,122
Change in ST liabilities excluding loans and credits	-6,572	-14,693
Change in prepayments and accruals	-87	-563
Income tax paid	-444	-997
Other adjustments	560	
Net cash flows provided by operating activities	5,074	3,919
Cash flows from investment activities		
Inflows	8,719	8,501
Disposal of intangible and tangible fixed assets	311	596
From financial assets, including: interest	387	269
Repayment of loans	8,022	7,636
Outflows	-12,939	-24,047
Acquisition of intangible and tangible fixed assets	-976	-1,060
Acquisition of financial assets in related parties	-3,764	-16,437
Granting loans	-8,200	-6,550
Net cash flows provided by investing activities	-4,220	-15,546
Cash flows from financial activity		
Inflows	5,500	7,090
Loans and credits	4,358	7,090
Other financial inflows		
Outflows	-6,850	-4,206
Acquisition of treasury shares		-832
Payment of dividend	-6,310	-3,155
Interest	-541	-219
Net cash flows provided by financing activities	-1,350	2,884
Total net cash flows	-496	-8,744
Cash flow at period beginning	912	9,180
Cash flow at period end, including:	416	437
- with restricted availability		

## 10. Separate statement of changes in shareholders' equity

	2010 period from 01.01.2010 to 30.09.2010	2009 period from 01.01.2009 to 30.09.2009
Shareholders' equity at period beginning	53,710	47,721
Shareholders' equity at period beginning (OB), after adjustment to comparable data	53,710	47,721
Share capital at period beginning	1,265	1,265
Changes – redemption of treasury shares	-3	
Share capital at period end	1,262	1,265
Treasury shares at period beginning	-3	-73
Changes in treasury shares	3	70
a) increase (due to)		-27
- acquisition		-27
b) decrease due to sale	3	97
- sale		97
- redemption	3	
Treasury shares at period end	0	-3
Supplementary capital at period beginning	35,969	32,028
Changes in supplementary capital	268	3,941
a) increase (due to)		3,941
- sale of treasury shares over the face value		189
- the distribution of profit	268	3,751
b) decrease due to transfer to reserve capital		
Supplementary capital at period end	36,237	35,969
Other reserve capital at period beginning	9,902	7,595
Changes in other reserve capital		2,307
a) increase (due to)		3,112
- sale of treasury shares over the face value		3,112
- transfer from supplementary capital		
b) decrease due to acquisition of treasury shares		805
Other reserve capital at period end	9,902	9,902
Profit brought forward from previous years at period beginning	6,578	6,906
Profit brought forward from previous years at period beginning	6,578	6,906
b) decrease (due to)	-6,578	-6,906
- distribution of profit	-6,578	-6,906
Profit brought forward from previous years at period end	0	0
Net result	2,647	4,553
a) Total income	2,647	4,553
Shareholders' equity at period end (CB)	50,048	51,686

## **11. Information about the dominant entity;**

Name: **Tell**  
Legal form: **Joint-stock company**  
Registered office: **61-362 Poznań, ul. Forteczna 19a**  
Country of registration: **Poland**  
Main objects:

- Telecommunications
- Wholesale of telecommunications equipment on commission
- Wholesale of office machines and equipment
- Retail sale of telecommunications equipment
- IT
- Advertising

Registering authority:

District Court Poznań- Nowe Miasto and Wilda, 8<sup>th</sup> Commercial Division of the National Court Register.

Statistical number (REGON): 630822208

## **12. Composition of the Management Board of Tell S.A. as at 30 September 2010;**

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

## **13. Composition of the Supervisory Board of Tell S.A. as at 30 September 2010;**

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

**14. Overview of the adopted accounting principles (policy), including the methods of valuation of assets and liabilities (including depreciation and amortization), measurement of the financial result;**

This quarterly financial statement has been drafted in accordance with the International Financial Reporting Standards ("IFRS"), and IFRS approved by the European Union ("EU"). As at the date of approval of the present financial statement, taking into account the IFRS implementation process underway in the EU and the Company's operations, there are no differences between the effective IFRS standards and the standards approved by EU within the scope of the accounting principles applied by the Company. IFRS cover the standards and interpretations accepted by the International Accounting Standards Board ("IASB"), and the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated quarterly financial statement has been drafted in accordance with the historical cost principle.

The consolidated quarterly financial statement should be read together with the consolidated financial statement for the financial year ending 31 December 2009.

The financial statement has been prepared applying the same accounting principles (policy) for the current and comparable period.

Below presented are the new standards and interpretations of IFRIC, published by the International Accounting Standards Board, and applicable for the reporting periods starting after 1 January 2010 and later.

IFRS 3 (Z) "Business Combinations"  
IAS 27 (Z) "Consolidated and Separate Financial Statements"  
Amendments to IFRIC 9 and IAS 39 "Embedded Instruments"  
Amendments to IFRS 2009  
Amendments to IFRS 1 "First-time Adoption of IFRS"  
Amendments to IFRS 2 "Share-Based Payment"  
IFRIC 12 "Service Concession Arrangements"  
IFRIC 15 "Agreements for the Construction of Real Estate"  
IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"  
IFRIC 17 "Distribution of Non-cash Assets to Owners"  
IFRIC 18 "Transfers of Assets from Customers"

The Management Board does not anticipate that the introduction of the above standards and interpretations should have a significant impact on the accounting principles (policy) applied by the Group companies, with the exception of additional or new disclosures. At present the companies are analysing the consequences and impact of the new standards and interpretation on the financial statements.

Below presented are the published, new standards and interpretations of IFRIC, announced by the International Accounting Standards Board, however they are not applicable in the current reporting period.

IAS 24 Related Party Disclosures (amended in November 2009) – effective for annual periods beginning on or after 1 January 2011, not approved by EU.

MSS9 Financial Instruments – effective for annual periods beginning on or after 1 January 2013 , not approved by EU as at the date of approval of this statement.

Amendments to IFRIC 14 IAS 19 - the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – effective for annual periods beginning on 1 January 2011, not approved by the EU.

IFRIC 19 Extinguishing Financial Liabilities with Equity – effective for annual periods beginning on or after 1 January 2011, not approved by EU.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards: limits the exemption from the obligation to present from comparative data required by IFRS 7 for entities adopting IFRS for the first time - applicable to yearly periods starting 1 January 2011 or later, not approved by EU.

As estimated, the above standards, interpretations and changes to the standards would not have had a significant impact on the financial statement, had they been applied by the Group as at the balance sheet day.

#### **15. Average PLN exchange rates;**

In order to express individual balance sheet items in EURO, the values expressed in domestic currency were converted using rates applicable as at the period end:

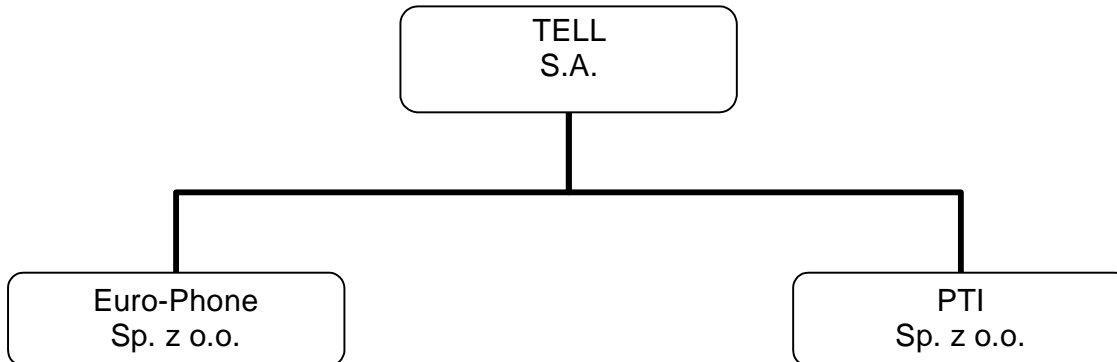
for the conversion of balance sheet data as at 30 September 2009, the exchange rate of 1 EURO = PLN 4.226 was used, adopted from the currency exchange rate table of the National Bank of Poland No. 191/A/NBP/2009, dated 30 September 2009.

for the conversion of balance sheet data as at 30 September 2010, the exchange rate of 1 EURO = PLN 3.9870 was used, adopted from the currency exchange rate table of the National Bank of Poland No. 191/A/NBP/2010, dated 30 September 2010.

The figures in the profit and loss account and the cash flow statement expressed in EURO were calculated by dividing the values expressed in domestic currency by the average exchange rate in a given period:

- to determine figures for the profit and loss account and for the cash flow statement for 3Q 2009, the exchange rate of 1 EURO = PLN 4.3993 was adopted. This exchange rate was an arithmetic average of exchange rates published by the National Bank of Poland, effective as at the last day of every of the nine completed months covered by the quarterly statement.
- to determine figures for the profit and loss account and for the cash flow statement for 3Q 2010, the exchange rate of 1 EURO = PLN 4.0027 was adopted. This exchange rate was an arithmetic average of the exchange rates published by the National Bank of Poland, effective as at the last day of every of the nine completed months covered by the quarterly statement.

**16. Description of organisation of the Capital Group, listing the consolidated entities;**



**Euro-Phone Sp. z o.o.**

- Company's registered office: ul. Taneczna 18c, 02-829 Warsaw,
- Objects of the company: activity of agents specializing in sale of other specified goods (PKD 2007 - 4618Z),
- Legal basis for the Company's operations: the Company was formed on 19 March 1998 (Notarial deed REP. A 2699/98). The registration authority is the District Court for the capital city of Warsaw in Warsaw, 8<sup>th</sup> Commercial Division of the National Court Register, KRS 0000010796. Registration date: 25 May 2001.

Tell S.A. holds 100% of Euro-Phone Sp. z o.o. shares.

**PTI Sp. z o.o.**

- Company's registered office: ul. Glogera 5, 31-222 Kraków,
- Objects of the company: activity of agents specializing in sale of other specified goods (PKD 2007 - 4618Z),
- Legal basis for the Company's operations: the Company was formed on 12 July 2007, Notarial deed REP. A 5675/2007. The registration authority: District Court Kraków Śródmieście in Kraków, 11<sup>th</sup> Commercial Division of the National Court register, KRS 0000286046. Date of registration in the National Court Register – 13 August 2007.

Tell S.A. holds 100% of PTI Sp. z o.o. shares.

Tell S.A. holds shares in Conex Sp. z o.o., a company not subject to consolidation due to the fact that it is impossible to manage the financial and operational policy in order to gain economic benefits from the company's operations.

As at the day of the present statement, Connex Sp. z o.o. does not engage in business operations.

**17. Statement of effects of changes in the structure of the business entity, also as a result of business composition, acquisition or sale of units belonging to the issuer's Capital Group, long-term investments, division, restructuring and discontinuation of operations;**

The structure of the Capital Group changed in 2010. Connex Sp. z o.o. was excluded from the consolidation obligation.

In connection with the settlement of the loss of control over Connex Sp. z o.o., the consolidated financial statement recognized a loss in the amount of PLN 548,527.42, equal to the Company's equity as at 1 January 2010.

**18. Information about change in accounting estimate, adjustments by provision, deferred tax liabilities and assets, revaluation made;**

	As at 30.09.2010	As at 31.12.2009	Change
Assets for deferred income tax	1,126	1,172	-46
Provision for deferred income tax	4,145	3,025	1,120
Provisions for retirement benefits and other	68	32	36
Other provisions, including:	387	1,548	-1,161
- provisions created by Connex, excluded from consolidation	0	677	-677
Revaluation of non-financial assets, including	2,554	3,261	-707
- receivables from Connex Sp. z o.o.	258	0	258
Revaluation of financial assets, including	560	0	560
- loans extended to Connex Sp. z o.o.	560	0	560

**19. Key achievements of the Capital Group in 3Q 2010;**

**Acquisition of an organized business.**

On 31 May 2010 the subsidiary company PTI Sp. z o.o. acquired an organized business from Maksimum Spółka z ograniczoną odpowiedzialnością Holding Spółka komandytowo-akcyjna having its registered office in Katowice. The acquisition concerned 41 points of sale providing Polkomtel S.A. services (PLUS mobile network operator).

**Sale network size.**

The average number of Orange showrooms selling services of PTK Centertel Sp. z o.o. reached in 3Q 2010 the total of 232 showrooms (as at 30 September 2010 - 230 showrooms), in comparison to the average number in 3Q 2009 – 245 showrooms (as at 30 September 2009 - 249 showrooms).

The number of showrooms operated by Subsidiaries, selling services of other operators, reached as at the end of 30 September 2010 the total of 198 showrooms. The above-listed include 89 showrooms providing services of Polkomtel S.A. (PLUS mobile network operator), and 109 showrooms providing services of Polska Telefonia Cyfrowa Sp. z o.o. (ERA mobile network operator).

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

In 3Q 2010, the sale revenue of TELL SA amounted to kPLN 29,247, and was lower by 3.4% than the revenue generated in the analogous period of the previous year. Year-to-



date, after three quarters of 2010, the sale revenue amounted to kPLN 85,993 and was lower by 1.5% than after the first three quarters of 2009.

In 3Q 2010, the gross profit on sale amounted to kPLN 10,776, and was lower than in the analogous period in the previous year by 12.3%. Year-to-date, after three quarters of 2010, the gross profit on sale amounted to kPLN 32,906, and was lower by 11.1% than in the analogous period in 2009.

Operating profit in 3Q 2010 amounted to kPLN 1,126, and was lower by 29.3% than in the analogous period in the previous year. Year-to-date, after three quarters of 2010, the operating profit amounted to kPLN 2,883, and was lower by 50.1% than in the analogous period in 2009.

EBITDA amounted in 3Q 2010 to kPLN 1,544, and was lower by 29.7% than in the analogous period in the previous year. Year-to-date, after three quarters of 2010, EBITDA amounted to kPLN 4,198, and was lower by 44.7% than generated in the analogous period in 2009.

Net profit in 3Q 2010 amounted to kPLN 803, and was lower than generated in the analogous period in the previous year by 26.7%. Year-to-date, after three quarters of 2010, the net profit amounted to kPLN 2,647, and was lower by 41.9% than after the first three quarters of 2009.

### **Consolidated results on the current activities of the TELL S.A. Group.**

Sale revenue of the capital group amounted in 3Q 2010 to kPLN 77,488, and was higher by 7.3% than the revenue generated in the analogous period of the previous year. Year-to-date, after three quarters of 2010, the sale revenue amounted to kPLN 209,795, and was higher than after the first three quarters of 2009 by 12.5%.

Gross profit on sale amounted in 3Q 2010 to kPLN 17,235, and was lower than in the analogous period in the previous year by 19.6%. Year-to-date, after three quarters of 2010, the gross profit on sale amounted to kPLN 48,590, and was lower than in the analogous period in 2009 by 18.5%.

Operating profit amounted in 3Q 2010 to kPLN 3,142 and was higher by 49.6% than in the analogous period of the previous year. Year-to-date, after three quarters of 2010, the operating profit amounted to kPLN 7,276, and was higher by 6.4% than in the analogous period in 2009.

EBITDA amounted in 3Q 2010 to kPLN 3,762, and was higher by 31.2% than in the analogous period of the previous year. Year-to-date, after three quarters of 2010, EBITDA amounted to kPLN 9,155, and was lower by 0.3% than in the analogous period in 2009.

Net profit amounted in 3Q 2010 to kPLN 2,147, and was higher than in the analogous period in the previous year by 59.9%. Year-to-date, after three quarters of 2010, the net profit amounted to kPLN 3,627, and was lower by 25.5% than after the first three quarters of 2009.

Decrease in the consolidated net profit for 3 quarters of 2010 is a consequence of settling the loss of control over Connex Sp. z o.o. in the amount of kPLN 549, and impairment

charges for the receivables from Connex Sp. z o.o. in the amount of kPLN 818. As a result of the charges made, the consolidated net profit was reduced in total by kPLN 1,367.

Qualitative and quantitative sale structure of the Tell S.A. Group:

Revenue from sale of products and goods (in thousand PLN)	1-3 Q 2010	1-3 Q 2009	Change 1-3Q 2010 /1-3Q 2009	3Q 2010	3Q 2009	Change 3Q 2010 /3Q 2009
Revenue from sale of telecommunication services	90,571	87,161	103.91%	31,490	31,965	98.51%
Pre-paids and top ups	22,761	26,996	84.31%	8,144	8,746	93.12%
Payment plan telephones	87,879	60,440	145.40%	34,845	26,289	132.54%
Other revenue	8,584	11,809	72.69%	3,009	5,212	57.74%
Total	209,795	186,406	112.55%	77,488	72,213	107.31%

Volume of services sold	1-3 Q 2010	1-3 Q 2009	Change 1-3Q 2010 /1-3Q 2009	3Q 2010	3Q 2009	Change 3Q 2010 /3Q 2009
Post-paid starter kits	515,557	460,546	111.94%	179,814	170,217	105.64%
Pre-paid starter kits	140,004	589,462	23.75%	51,818	184,568	28.08%
Total	655,561	1,050,008	62.43%	231,632	354,785	65.29%

## 20. Description of factors and events, especially of extraordinary nature, having significant impact on the generated financial result;

Unusual events that had adverse impact on the consolidated result of Tell S.A. Capital Group:

- impairment charge for receivables from Connex Sp. z o.o. in the amount of kPLN 258,
- impairment charge for the value of loans extended to Connex Sp. z o.o. in the amount of kPLN 560,
- settlement of the loss of control of Connex Sp. z o.o., as a result of which a loss of kPLN 549 was recognized.

The charges made resulted in the total reduction of the consolidated gross profit for 1-3Q 2010 by kPLN 1,367.

## 21. Explanations concerning the seasonal or cyclical character of the issuer's operations during the presented period;

The seasonal character of mobile telephone services sale is evidenced chiefly by increased sale in the fourth quarter, especially in December. Sometimes this natural cycle is modified as a result of marketing actions on the part of operators, however during the period covered by the report the Issuer's Management Board has not observed any marked deviations in this respect.

## 22. Information concerning issuing, redemption and buyback of non-share and equity securities;

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

The redemption took place on 17 June 2010 upon registration by the District Court Poznań-Nowe Miasto and Wilda in Poznań, 8th Commercial Division of the National Court Register, of a relevant amendment to the Articles of Association concerning the decrease of the share capital.

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

- 2,116,625 registered preference shares series A (one share carries two votes),
- 4,192,998 ordinary bearer shares. The face value of each share is 20 groszys.

The total number of votes from all shares issued is 8,426,248 votes.

### **23. Information concerning dividend paid, in aggregate and per share, for ordinary and preference shares;**

By way of resolution No. 16/2010 dated 26 April 2010, the General Meeting of Shareholders of Tell S.A. decided to use the net profit disclosed in the financial statement for 2009, in the amount of PLN 6,577,711.08:

- to pay dividend of PLN 1.00 per one Company share (excluding Company's treasury shares),
- as supplementary capital, in the amount remaining after dividend payment.
- 

The dividend day was 14 May 2010, and the dividend payment day was 31 May 2010.

The total dividend paid amounted to PLN 6,309,623.00.

### **24. Events occurring after the as-at date of the financial statement, not recognized in this statement, but which might have material impact on the future financial results of the issuer;**

As until the date of drafting of the financial statement for 3Q 2010, there occurred no events that have not, and should have been recognized in the accounting books for the reporting period. At the same time, the financial statement invokes no material events concerning the previous years.

### **25. Information concerning changes in contingent liabilities occurring after the end of the last financial year;**

In the period between the end of the last financial year and the date of drafting of the financial statement for 3Q 2010, the dominant entity granted to the subsidiary company PTI Sp. z o.o., a surety for:

- obligation to pay a portion of the price for the acquisition of organized business of Maksimum Sp. z o.o. Holding S.k.a. in the amount of kPLN 6,100.
- liability due to limit on guarantee-type products in the amount of kPLN 1,500.

### **26. Position of the Management Board concerning the possibility of performance of**

**previously announced results forecasts for the year, in the light of results presented in the half-year report as compared to the forecasted results;**

The Management Board of Tell S.A. did not announce results forecasts for 2010.

- 27. Indication of shareholders holding, directly or indirectly through subsidiaries, at least 5 % of the total number of votes at the issuer's general meeting of shareholders as at the date of submission of the half-yearly report, stating the number of shares held by such entities, their percentage in the share capital, number of votes carried by them, and their percentage in the total number of votes at the general meeting of shareholders, and indicating changes in the shareholding of large blocks of the issuer's shares in the period following the submission of the previous quarterly report;**

In the period between the submission of the 1Q 2010 report and the submission of the 3Q 2010 report, there were changes in shareholding. The changes are presented in the tables below.

Shareholders holding at least 5% of votes at the General Meeting of Shareholders as at the date of submission of the 3Q 2010 report.

Shareholder	Number of registered shares	Number of bearer shares	Total number of shares	Number of votes carried by registered shares	Number of votes carried by bearer shares	Total number of votes	Share in the company's share capital	Share 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%
QEUrcus Parasolowy SFIO		503,109	503,109		503,109	503,109	7.97%	5.97%
	1,604,750	1,723,938	3,328,688	3,209,500	1,723,938	4,933,438	52.76%	58.55%

Shareholders holding at least 5% of votes at the General Meeting of Shareholders as at the date of submission of the 1Q 2010 report.

Shareholder	Number of registered shares	Number of bearer shares	Total number of shares	Number of votes carried by registered shares	Number of votes carried by bearer shares	Total number of votes	Share in the company's share capital	Share of votes
BBI Capital NFI S.A.	1,429,750		1,429,750	2,859,500		2,859,500	22.60%	33.87%
Havo Sp. z o.o.		675,000	675,000		675,000	675,000	10.67%	8.00%
Rafał Stempniewicz	175,000	129,780	304,780	350,000	129,780	479,780	4.82%	5.68%
AVIVA Investors FIO		423,549	423,549		423,549	423,549	6.70%	5.02%
QEUrcus Parasolowy SFIO		503,109	503,109		503,109	503,109	7.95%	5.96%
	1,604,750	1,731,438	3,336,188	3,209,500	1,731,438	4,940,938	52.75%	58.53%

- 28. Statement of the issuer's shares or rights to issuer's shares held by persons in executive or supervisory positions within the issuer's organization as at the date of submission of the half-yearly report, indicating changes in shareholding, in the period after the submission of the previous quarterly report,**

**separately for every person;**

In the period between the submission of the 1Q 2010 report and the submission of the 3Q 2010 report, there were shareholding changes. The changes are presented in the tables below.

List of shares held by persons in executive or supervisory positions within the issuer's organization as at the date of submission of the 3Q 2010 report.

Shareholder	Total number of shares	Total number of votes	Share in the company's share capital	Share of votes
Members of the Supervisory Board				
Paweł Turno	226,250	396,875	3.58%	4.71%
Piotr Karmelita	0	0	0.00%	0.00%
Executives				
Rafał Stempniewicz	297,280	472,280	4.71%	5.60%
Stanisław Górski	7,548	7,548	0.12%	0.09%
Robert Krasowski	29,981	29,981	0.47%	0.36%
	561,059	906,684	8.88%	10.76%

List of shares held by persons in executive or supervisory positions within the issuer's organization as at the date of submission of the 1Q 2010 report.

Shareholder	Total number of shares	Total number of votes	Share in the company's share capital	Share of votes
Members of the Supervisory Board				
Paweł Turno	226,250	396,875	3.58%	4.70%
Piotr Karmelita	12,615	12,615	0.20%	0.15%
Executives				
Rafał Stempniewicz	304,780	479,780	4.82%	5.68%
Stanisław Górski	5,250	5,250	0.08%	0.06%
Robert Krasowski	33,250	33,250	0.53%	0.39%
	582,145	927,770	9.20%	10.99%

**29. Indication of proceedings pending before a court, competent arbitration body or government administration body, including related information;**

Both Tell S.A., and its subsidiaries are parties to proceedings before common courts of law, however none of the proceedings concern liabilities or receivables equal to at least 10 % of the issuer's equity. Also the total value of liabilities or receivables covered by such proceedings is not equal to at least 10% of the issuer's equity.

There are no proceedings pending before any competent arbitration body involving the Company or its subsidiaries.

There are proceedings pending against Connex Sp. z o.o. – a subsidiary of the issuer – concerning corporate income tax and VAT. On 6 January 2010 the company received decisions of the Head of the Treasury Control Office concerning the corporate income tax and VAT tax for 2004-2006. The decisions determined the tax liability of Connex Sp. z o.o.

in the amount of PLN 17,602,970.00, plus interest due. Connex appealed against all decisions of the Head of the Tax Chamber. In accordance with the legal opinions in possession of Connex Sp. z o.o., the charges formulated in the decisions are groundless, and constitute, in the opinion of Connex Sp. z o.o., an attempt to shift the responsibility for actions of third parties (company contractors), of which the Management Board of Connex Sp. z o.o. had no knowledge whatsoever. As a result of the order that parts of the decisions referred to above be enforced forthwith, on 1 March 2010 Connex Sp. z o.o. filed for bankruptcy.

On 18 August 2010, the Management Board of Tell S.A. learned that CONNEX Sp. z o.o. (issuer's subsidiary) received decision of the Head of Tax Chamber in Poznań, revoking the decisions of the Head of the Treasury Control Office in Poznań concerning the VAT tax for 2005 – 2006, and the cases were submitted for re-consideration by the first instance authority, due to procedural irregularities and the to necessity to take additional evidence.

**30. Information on the issuer or a subsidiary concluding one or more transactions with subsidiaries, where separately or jointly they are significant and were concluded on basis other than arm's length, except transactions concluded by the issuer that is a fund with an affiliate, indicating their value, where the information concerning individual transaction may be grouped by nature, except cases where information concerning individual transactions is necessary to understand their impact on the economic and financial standing and the financial result of the issuer;**

Transactions between Group Companies are concluded on arm's length basis. As at the balance sheet day, the amount of loans granted by Tell S.A. to its subsidiaries amounted to kPLN 9,232. During the period covered by the report, the loans to subsidiaries amounted to kPLN 8,200, of which kPLN 7,618 was repaid. In total, Tell S.A. received kPLN 345 in interest, and accrued kPLN 287 in interest as at the balance sweet day. Transactions related to loans and interest, concluded with subsidiaries, are excluded from the quarterly consolidated financial statement.

Transactions are concluded on arm's length basis. The loans have variable interest rates calculated as a total of the following elements: interest rate determined in a manner described below, plus a 4%-7% margin. The interest rate changes on every first calendar day of a month of the term of agreement, in proportion to the reference rate calculated with rounding off to two decimal places, on the basis of WIBOR arithmetic average for one month deposits from the last 10 business days of the previous calendar month.

**31. Information concerning the issuer or the issuer's subsidiary providing loan or credit surety, or extending a guarantee – jointly to a single entity or a subsidiary of such an entity, where the total value of the existing sureties or guarantees is equal to at least 10 % of the issuer's equity;**

Entity/bank	Type of commitment	Value as at in thousand PLN	Security
		30.09.2010	
Polkomtel S.A.	trade credit	1,200	surety for PTI Sp. z o.o.

PTC Sp. z o.o.	trade credit	up to the amount owed	surety for Euro-Phone Sp. z o.o.
Bank DnD Nord Polska S.A.	guarantee facility	1,600	surety for Euro-Phone Sp. z o.o.
Bank DnD Nord Polska S.A.	loan	7,500	surety for Euro-Phone Sp. z o.o.
Maksimum Sp. z o.o. Holding S.k.a.	Commitment to pay the price for the acquisition of ZCP by PTI Sp. z o.o.	6,100	surety for PTI Sp. z o.o.
Alior Bank S.A.	Liability due to limit on guarantee-type products	1,500	surety for PTI Sp. z o.o.

**32. Other information the issuer considers significant for the assessment of the issuer's personnel, economic, and financial situation, the financial result and any changes of the above, and information of significance for the assessment of possibility of meeting obligations by the issuer;**

The statement contains basic information that is significant for the assessment of the standing of TELL SA Capital Group, however to provide a full picture of the Company's prospects over the next months, the Management Board presents below the system of the so-called deferred commissions from the sale of starter kits, and the system for recording revenue and costs connected with the sale of mobile phones within the framework of the post-paid service.

The deferred commission system concerns Tell S.A.

The Company receives commission in two parts: the first part in the month in which the starter kit is sold (so-called one month commission), the second part in the sixth month following the sale of a given starter kits (so-called six months commission).

The Company estimates that the revenue from differed commission for starter kits sold until 30 September 2010 will total until 28 February 2011 at approx. PLN 3,840,667. Consequently, the Issuer's margin, after commissions for sub-agents, is estimated to total at PLN 2,220,940.

For the correct interpretation of the separate and consolidated financial results of Tell S.A. Group companies, an explanation has to be provided of the different manner in which the subsidizing of sale of mobile phones by particular operators is recognized in the books of the Group companies, and the impact of such operations on the revenue and cost positions. However, irrespective of the different manner in which particular operators settle the sale of mobile phones, the result of such operations is neutral for the result.

**ORANGE mobile network operator – PTK Centertel Sp. z o.o.**

Tell S.A. purchases mobile phones from the Operator at market prices. As a result of this purchase there arises a liability for the Company, equal to the market price of the mobile phone. At the same time inventory is recognized in the Company's assets, valued in accordance with the market price of the mobile phone. There are two variants of sale of such a mobile phone by the Company:

- direct sale of the mobile phone to a customer at a point of sale (official showroom)

In such a case, the sale takes place at a promotional price (that includes the level of subsidy determined by the Operator). Therefore, as a result of this particular transaction, the Company incurs temporary loss. However immediately after the promotional sale, in accordance with the procedures determined in an agreement with the Operator, the Operator reduces the initial purchase price of the telephone by the Company to the amount of the promotional price (which includes the subsidy amount) by issuing a corrective invoice. Consequently, the transaction has neutral impact on the Company's financial result.

- sale of telephone to a sub-agent, who will later sell it to a customer at a point of sale. In this case the sale is performed at the original price of purchase from the Operator, and then the process is analogous to the one presented in the first case, however here the Company issues a corrective invoice to the sub-agent, adjusting the original price of sale.

**ERA mobile network operator – Polska Telefonia Cyfrowa Sp. z o.o.**

Sales system similar to the one described above is also used by the ERA mobile network operator. Consequently the revenue and costs connected with the sale of mobile phones are recorded at promotional prices.

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

PTI Sp. z o.o. purchases mobile phones from the operator at market prices. As a result of this purchase there arises a liability for the Company, equal to the market price of the mobile phone. At the same time inventory is recognized in the Company's assets, valued in accordance with the market price of the mobile phone. There are two variants of sale of such a mobile phone by the Company:

- direct sale of the mobile phone to a customer at a point of sale (official showroom)

In such a case, the sale takes place at a promotional price (that includes the level of subsidy determined by the Operator). Therefore, as a result of this particular transaction, the Company incurs temporary loss. However, immediately after the promotional sale, in accordance with the procedures determined in an agreement with the operator, the operator grants to the company a commission in an amount equal to the loss incurred on that particular transaction. Consequently, the transaction has neutral impact on the Company's financial result, however the revenue and costs recognized by the Company are far higher than in the case of analogous transaction by other Group companies.

- sale of telephone to a sub-agent, who will later sell it to a customer at a point of sale

In such a case, the sale takes place at the original price of purchase from the operator, and after that the process proceeds analogically to the one described in the first case, with the Company compensating to the sub-agent the loss on the transaction of selling the mobile phone to the customer at a promotional price by way of an appropriate commission (previously obtained from the operator).

The consequence of such recognition of the sale of phones is relatively high revenue from sale, and accordingly high selling cost, when compared to other Group Companies.

**33. Indicating factors that in the opinion of the issuer will impact the results achieved over at least the next quarter.**

The basic factors that will have an impact on the results generated by the TELL S.A. Capital Group in the nearest future are the demand for mobile services, with particular emphasis on its seasonal character (see item 21), and the related level of performance of the sales plans imposed on the Group companies by mobile network operators, as well as the further development of the sale network resulting from PTI Sp. z o.o. (Subsidiary) acquiring an organised business consisting of 41 points of sale of Polkomtel S.A. services.



Rafał Stempniewicz

Stanisław Górski

Robert Krasowski

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President

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Board Member

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Board Member