# INTERIM FINANCIAL STATEMENTS OF TELL S.A.
## FOR THE PERIOD FROM 01 JANUARY 2011 TO 30 JUNE 2011

POZNAŃ, 03 AUGUST 2011

**TABLE OF CONTENTS**

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

INTERIM STATEMENT OF FINANCIAL POSITION

| | Note | 2011<br>As at<br>30/06/2011 | 2010<br>As at<br>31/12/2010 | 2010<br>As at<br>30/06/2010 |
|---|---|---|---|---|
| A s s e t s | | | | |
| Fixed assets | | 51,818 | 51,520 | 52,011 |
| Intangible fixed assets | 2.3 | 21,675 | 21,797 | 21,614 |
| Tangible fixed assets | 4 | 3,055 | 3,731 | 4,146 |
| Interests in subsidiaries | 7 | 25,636 | 24,349 | 24,349 |
| Long-term receivables | 5 | 695 | 753 | 723 |
| Deferred income tax assets | 25-26 | 429 | 502 | 727 |
| Long-term prepayments | 11 | 327 | 387 | 452 |
| | | | | |
| Current assets | | 53,487 | 63,124 | 59,887 |
| Inventories | 9 | 8,461 | 12,833 | 14,341 |
| Trade receivables and other receivables | 10 | 32,739 | 40,479 | 34,677 |
| Financial assets | 13 | 11,556 | 5,879 | 10,085 |
| Prepayments | 11 | 473 | 236 | 516 |
| Cash and cash equivalents | 12 | 258 | 3,697 | 268 |
| | | | | |
| T o t a l a s s e t s | | 105,305 | 114,644 | 111,899 |
| | | | | |
| E q u i t y & L i a b i l i t i e s | | | | |
| Shareholder's equity | 32 | 53,330 | 53,052 | 49,245 |
| Share capital | 14 | 1,262 | 1,262 | 1,262 |
| Supplementary capital | 16 | 36,840 | 36,237 | 36,237 |
| Reserve capital | 17 | 9,902 | 9,902 | 9,902 |
| Net profit | 31 | 5,326 | 5,651 | 1,844 |
| | | | | |
| Liabilities and provisions for liabilities | | 51,975 | 61,592 | 62,653 |
| Deferred tax liabilities | 25-26 | 3,734 | 3,293 | 3,015 |
| Provision for retirement benefits and similar benefits | 19 | 10 | 10 | 10 |
| Other provisions | 19 | 417 | 757 | 246 |
| Long-term liabilities | 20-21 | 3,279 | 4,134 | 4,989 |
| Short-term liabilities | 20-24 | 44,535 | 53,397 | 54,392 |
| | | | | |
| T o t a l e q u i t y & l i a b i l i t i e s | | 105,305 | 114,644 | 111,899 |

**INTERIM COMPREHENSIVE INCOME STATEMENT**

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

| | Notes | 2011 period from 01/01/2011 to 30/06/2011 | 2010 period from 01/01/2010 to 31/12/2010 | 2010 period from 01/01/2010 to 30/06/2010 |
|---|---|---|---|---|
| Net revenues from sale | | 54,445 | 120,078 | 56,746 |
| - from related parties | 33 | 229 | 715 | 532 |
| Net revenues from the sale of services | 27 | 41,212 | 84,360 | 40,994 |
| Net revenues from the sale of goods | 27 | 13,232 | 35,718 | 15,753 |
| Sale costs | | 34,252 | 74,143 | 34,616 |
| - from related parties | | 229 | 715 | 532 |
| Costs of services sold | 29 | 21,789 | 39,488 | 19,799 |
| Value of goods sold | 29 | 12,463 | 34,655 | 14,817 |
| Gross profit on sale | | 20,193 | 45,935 | 22,130 |
| Sale costs | 29 | 14,178 | 32,454 | 16,819 |
| Administration costs | 29 | 3,316 | 6,743 | 3,399 |
| Other operating income | 29 | 88 | 447 | 55 |
| Other operating expense | 29 | 165 | 2,285 | 210 |
| Profit on operating activities | | 2,621 | 4,899 | 1,757 |
| Financial income | 28 | 3,597 | 3,372 | 1,495 |
| Financial costs | 28 | 298 | 1,408 | 986 |
| Gross profit | | 5,920 | 6,864 | 2,266 |
| Income tax | | 594 | 1,213 | 422 |
| a) current part | 25 | 80 | 288 | |
| b) deferred part | 25-26 | 514 | 925 | 422 |
| Net profit on continued activities | | 5,326 | 5,651 | 1,844 |
| Other comprehensive income | | | | |
| Other comprehensive income after taxation | | | | |
| Total comprehensive income | | 5,326 | 5,651 | 1,844 |

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

## INTERIM CASH FLOW STATEMENT

| | 2011 period from 01/01/2011 to 30/06/2011 | 2010 period from 01/01/2010 to 31/12/2010 | 2010 period from 01/01/2010 to 30/06/2010 |
|---|---|---|---|
| Cash flow from operating activities - indirect method | | | |
| Gross profit | 5,920 | 6,864 | 2,266 |
| Total adjustments | - 1,452 | - 186 | 141 |
| Amortisation and depreciation | 857 | 1,736 | 897 |
| Interest and share in profits (dividends) | - 3,299 | -2,681 | - 1,149 |
| Profit on investment activities | - 21 | -112 | -14 |
| Change in provisions | - 340 | 72 | - 439 |
| Change in inventories | 4,372 | 3,464 | 1,956 |
| Change in receivables | 7,798 | -1,405 | 4,459 |
| Change in short-term liabilities, excl. loans and advances | - 10,363 | -1,547 | - 5,512 |
| Change in prepayments and accruals | - 178 | 138 | - 207 |
| Paid income tax | - 277 | - 411 | - 411 |
| Other adjustments – impairment of financial assets | | 560 | 560 |
| **Net cash flows provided by operating activities** | **4,468** | **6,678** | **2,407** |
| Cash flow from investing activity | | | |
| Inflows | 10,324 | 14,179 | 4,462 |
| Disposal of intangible and tangible fixed assets | 126 | 460 | 207 |
| From financial assets - interest | 48 | 647 | 149 |
| Other investment inflows – loan repayment | 10,150 | 13,072 | 4,106 |
| Outflows | - 17,001 | - 14,186 | - 8,524 |
| Acquisition of intangible and tangible fixed assets | - 164 | - 1,322 | - 560 |
| Purchase of financial assets in related parties | - 1,287 | - 3,764 | - 3,764 |
| Other investment inflows – grant of loan | - 15,550 | - 9,100 | - 4,200 |
| **Net cash flows provided / (used) by investing activities** | **- 6,677** | **- 7** | **- 4,062** |
| Cash flow from financial activity | | | |
| Inflows | 4,068 | 3,066 | 7,617 |
| Dividend income | 3,225 | 2,661 | 1,142 |
| Loans | 843 | 405 | 6,475 |
| Outflows | - 5,298 | - 6,952 | - 6,607 |
| Dividend payment | - 5,048 | - 6,310 | - 6,310 |
| Interest | - 250 | -642 | - 297 |
| **Net cash flows provided / (used) by financing activities** | **- 1,230** | **-3,886** | **1,011** |
| Total cash flow | - 3,439 | 2,785 | - 644 |
| Cash at the period beginning | 3,697 | 912 | 912 |
| Cash at period end, including: | 258 | 3,697 | 268 |
| - limited use cash | | | |

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

## INTERIM STATEMENT OF CHANGES IN EQUITY

| | 2011 period from 01/01/2011 to 30/06/2011 | 2010 period from 01/01/2010 to 31/12/2010 | 2010 period from 01/01/2010 to 30/06/2010 |
|---|---|---|---|
| Equity at period beginning (OB) | 53,052 | 53,710 | 53,710 |
| Equity at period beginning (OB), after reconciliation of comparable data | 53,052 | 53,710 | 53,710 |
| Share capital at period beginning | 1,262 | 1,265 | 1,265 |
| Changes in share capital due to redemption of treasury shares | | -3 | -3 |
| Share capital at period end | 1,262 | 1,262 | 1,262 |
| Treasury shares at period beginning | | -3 | -3 |
| Changes in treasury shares | | 3 | 3 |
| a) increase (due to) | | | |
| b) decrease (due to) | | 3 | 3 |
| - redemption | | 3 | 3 |
| Treasury shares at period end | | 0 | 0 |
| Supplementary capital at period beginning | 36,238 | 35,969 | 35,969 |
| Changes in supplementary capital | 603 | 268 | 268 |
| a) increase (due to) | 603 | 268 | 268 |
| - from distribution of profits | 603 | 268 | 268 |
| b) decrease (due to) | | | |
| Supplementary capital at period end | 36,840 | 36,237 | 36,237 |
| Other reserve capitals at period beginning | 9,902 | 9,902 | 9,902 |
| Change in other reserve capitals | | | |
| a) increase (due to) | | | |
| b) decrease (due to) | | | |
| Other reserve capitals at period end | 9,902 | 9,902 | 9,902 |
| Retained profit at period beginning | 5,651 | 6,578 | 6,578 |
| Retained profit at period beginning | 5,651 | 6,578 | 6,578 |
| b) decrease (due to) | 5,651 | 6,578 | 6,578 |
| - from distribution of profits | 5,651 | 6,578 | 6,578 |
| Retained profit at period end | 0 | 0 | 0 |
| Net result | 5,326 | 5,651 | 1,844 |
| a) total comprehensive income | 5,326 | 5,651 | 1,844 |
| Equity at period end (CB) | 53,330 | 53,052 | 49,245 |

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

## SELECTED FINANCIAL DATA

| | in kPLN | | in k EUR | |
|---|---|---|---|---|
| SELECTED FINANCIAL DATA | 1st half-year of 2011 period from 01/01/2011 to 30/06/2011 | 1st half-year of 2010 period from 01/01/2010 to 30/06/2010 | 1st half-year of 2011 period from 01/01/2011 to 30/06/2011 | 1st half-year of 2010 period from 01/01/2010 to 30/06/2010 |
| I. Net revenues from the sale of services and goods | 54,445 | 56,746 | 13,723 | 14,172 |
| II. Profit on operating activities | 2,621 | 1,757 | 661 | 439 |
| III. Gross profit | 5,920 | 2,266 | 1,492 | 566 |
| IV. Net profit | 5,326 | 1,844 | 1,342 | 461 |
| V. Net cash flows provided / (used) by operating activities | 4,468 | 2,407 | 1,126 | 601 |
| VI. Net cash flows provided / (used) by investing activities | -6,677 | -4,062 | -1,683 | -1,014 |
| VII. Net cash flows provided / (used) by financing activities | -1,230 | 1,011 | -310 | 252 |
| VIII. Total net cash flows | -3,439 | -644 | -867 | -161 |
| IX. Total assets | 105,305 | 111,899 | 26,415 | 26,991 |
| X. Liabilities and provisions for liabilities | 51,975 | 62,653 | 13,038 | 15,112 |
| XI. Long-term liabilities | 3,279 | 4,989 | 822 | 1,203 |
| XII. Short-term liabilities | 44,535 | 54,392 | 11,171 | 13,120 |
| XIII. Shareholder's equity | 53,330 | 49,245 | 13,377 | 11,878 |
| XIV. Share capital in PLN | 1,261,924.60 | 1,261,924.60 | 316,542 | 304,386 |
| XV. Average weighted number of shares (items) | 6,309,623 | 6,309,623 | 6,309,623 | 6,309,623 |
| XVI. Earnings per ordinary share (in PLN/EURO) | 0.84 | 0.29 | 0.21 | 0.07 |
| XVII. Diluted earnings per ordinary share (in PLN/EURO) | 0.84 | 0.29 | 0.21 | 0.07 |
| XVIII. Number of shares (items) | 6,309,623 | 6,309,623 | 6,309,623 | 6,309,623 |
| XIX. Book value per ordinary share (in PLN/EURO) | 8.45 | 7.80 | 2.12 | 1.88 |
| XX. Diluted book value per ordinary share (in PLN/EURO) | 8.45 | 7.80 | 2.12 | 1.88 |
| XXI. Declared or paid dividend per share (in PLN/EURO) | | | | |

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

The interim financial statements was approved by the Management Board of the Company on 03 August 2011 and signed by the Management Board:

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

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

**INTRODUCTION TO THE COMPANY'S INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM 01/01/2011 TO 30/06/2011.**

## 1. GENERAL

### 1.1. INFORMATION ABOUT THE COMPANY

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

### 1.2. DURATION OF THE COMPANY

The duration of the Company is unlimited.

### 1.3. PRESENTED PERIODS

The separate interim financial statements contain data for the period from 01 January 2011 to 30 June 2011 and comparable data.

### 1.4. COMPOSITION OF THE GOVERNING BODIES OF THE COMPANY AS AT 30 JUNE 2011

**Management Board:**

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

**Changes in the Management Board**:
In the financial year, the composition of the Management Board did not change.

**Supervisory Board:**

| | |
|---|---|
| Paweł Turno | - Chairman of the Supervisory Board |
| Tomasz Grabiak | - Member of the Supervisory Board until 29/04/2011 |
| Piotr Karmelita | - Member of the Supervisory Board |
| Mariola Więckowska | - Member of the Supervisory Board |
| Tomasz Buczak | - Member of the Supervisory Board |
| Marek Piątkowski | - Member of the Supervisory Board since 30/04/2011 |

**Changes in the Supervisory Board:**
During the financial year, there were some changes in the composition of the Supervisory Board. Mr Tomasz Grabiak resigned from running for the appointment for the next term of office. Mr Marek Piątkowski was appointed a member of the Supervisory Board.

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### 1.5. CHARTERED AUDITORS

Grant Thornton Frąckowiak Sp. z o.o. Sp. k.
Plac Wiosny Ludów 2
61-831 Poznań

### 1.6. 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

### 1.7. MAJOR SHAREHOLDERS

As at 30 June 2011, shareholders holding more than 5% at the General Meeting of Shareholders were as follows:

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

### 1.8. TELL S.A. GROUP AS AT 30 JUNE 2011

The Tell S.A. Group comprises Tell S.A. and its subsidiaries.

**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. Glogera 5, 31-222 Kraków,
- Basic objects of business: (Polish Classification of Economic Activities of 2007) 4618Z Agents specialised in the sale of other particular products,

- Company's legal basis: The Company was established on 12 July 2007 - Notarised deed No. A 5675/2007. The registration authority is the District Court for Krakow - Śródmieście in Krakow, 11th Commercial Division of the National Court Register, KRS 0000286046. Incorporation date: 13 August 2007,

The Company's share capital is PLN 1.900.000. In PTI Sp. z o.o., Tell S.A, holds 100% shares.

**Toys4Boys Pl. Sp. z o.o.**
- Seat of the Company: ul. Nowy Świat 11B, 80-299 Gdańsk,
- Basic objects 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. A 5029/2007). Registration authority: District Court for Gdańsk - Północ in Gdańsk, 7th Commercial Division of the National Court Register, KRS 0000276286. Incorporation date: 12 March 2007,
- The Company's share capital is PLN 142,900. In Toys4Boys. Pl Sp. z o.o., Tell S.A. holds 30% of shares.

The financial statements of Toys4BoysPl. Sp. z o.o. is not material in terms of the consolidated financial statements of the Tell S.A. Group. By decision of the Management Board, it was decided that as of 30 June 2011 Toys4BoysPl Sp. z o.o. would not be consolidated.

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

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

### 1.9. STATEMENT OF THE MANAGEMENT BOARD

Pursuant to the regulation of the Minister of Finance of 19 February 2009 on ongoing and periodical information to be given by issuers of securities, the Management Board of the Company hereby states and declares that, to the best of its knowledge, these separate interim financial statements and comparable data have been prepared in accordance with the accounting policies binding on the Company and they present the economic and financial situation of the Company as well as its financial result in a true, reliable and fair manner.

These separate interim financial statements have been prepared in accordance with the International Accounting Standard 34 Interim Financial Reporting as endorsed by the European Union and in the scope as required by the regulation of the Minister of Finance of 19 February 2009 on ongoing and periodical information to be provided by issuers of securities (*Journal of Laws* No. 33, item 259, as amended). These statements cover the period from 1 January to 30 June 2011 and comparable periods.

The Management Board hereby declares that the entity authorised to audit the financial statements that reviewed the separate interim financial statements has been appointed in accordance with the legal regulations and that this entity as well as the chartered auditors in charge of the audit, meet the requirements allowing them to issue an impartial and independent report on the review as per the applicable domestic laws and professional standards. In accordance with the corporate governance riles adopted by the Management Board, the chartered auditor was appointed by the Supervisory Board by virtue of the resolution of 23 May 2011 on the appointment of a chartered auditor. The Supervisory Board made the above appointment so as to guarantee full independence and objectivity of the appointment process as well as the performance of his duties by the chartered auditor.

### 1.10. APPROVAL OF THE FINANCIAL STATEMENTS

These separate interim financial statements were approved for publication by the Management Board on 03 August 2011.

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

These separate interim financial statements have been prepared in accordance with the requirements of the International Accounting Standard 34 *Interim Financial Reporting* as endorsed by the European Union.
As at the date of the approval of this statement for publication, considering the existing process of implementation of IFRS standards in the EU and the Company's operations, there are no differences between the IFRS standards that have come into effect and IFRS standards approved by the EU as regards the accounting principles applied

by the Company. The IFRS comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

These separate interim financial statements of the Company should be analysed together with the consolidated interim financial statements approved for publication by the Management Board and published on the same date as the separate financial statements. This will ensure comprehensive information about the economic and financial position of the Company as at 30 June 2011 as well as the financial result for the period from 1 January to 30 June 2011.

### 1.12. SEASONALITY AND CYCLICITY OF OPERATIONS

The seasonal character of sales of mobile phone services is visible mainly in the growth of sale in the fourth quarter, particularly in December. Sometimes, this natural seasonal character is modified owing to marketing activities of operators, however in the reporting period the Issuer's Management Board did not note any significant diversions from standard pattern.

### 1.13. GOING CONCERN AND COMPARABILITY OF FINANCIAL STATEMENTS

The separate interim financial statements have been prepared in accordance with the going concern principle, i.e. an assumption that the Company will continue its business for the period of 12 months after the last balance sheet date, i.e. after 30 June 2011. As at the day these financial statements were signed, the Company's Management Board did not find any facts or circumstances, which would pose a threat to the going concern within the period of 12 months following the balance sheet date in consequence of any intended or mandatory liquidation or significant reduction of the present activities.
By the date of preparation of these separate interim financial statements for the first half of 2011 there have occurred no events that were not but should have been recognised in the accounting books of the reporting period. Additionally, these financial statements does not comprise any significant events concerning the previous years.

### 1.14. CHANGE IN ACCOUNTING ESTIMATES

When compared to the separate financial statements of Tell S.A. for 2010, there have been no changes in accounting estimates.

## 2. DESCRIPTION OF THE ACCOUNTING POLICIES, INCLUDING THE METHODS OF MEASUREMENT OF ASSETS, EQUITY AND LIABILITIES AS WELL AS INCOMES AND EXPENSES

### 2.1. ACCOUNTING POLICIES

The financial statements have been prepared at historical cost, save: derivative financial instruments, financial instruments at fair value recognised as profit or loss, available-for-sale financial assets, and investments in properties, which have been measured at fair value.

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

When preparing these separate interim financial statements, the same accounting principles have been applied as when preparing the separate financial statements for the financial year 2010.

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

In the application of accounting policies with regard to the below-mentioned issues, the most important was, besides the accounting estimates, the professional judgement of the management.
Below are discussed the basic assumptions concerning the future as well as other key sources of uncertainty as at the balance sheet date, to which related are material risks of significant adjustments of the carrying amounts of assets and liabilities in the next financial year.

a) Professional judgement

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

b) Estimation Uncertainty

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

Impairment of assets
The Company tested the fixed assets for impairment. This required an estimation of the value in use of the cash generating unit to which the given fixed assets belong. The estimation of the value in use consists in the determination of the future cash flows generated by the cash generating unit and requires a determination of the discount rate to be applied to calculate the present value of such flows. The increase on the applied discount rate by 1% would not necessitate the recognition of an additional impairment loss.

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

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

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

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

Depreciation & amortisation rates
The depreciation and amortisation rates are established on the basis of the estimated useful economic life of the tangible and intangible assets. The company carries out an annual verification of the assumed useful economic lives.

### 2.3. INTANGIBLE FIXED ASSETS

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

Goodwill
Goodwill is the difference between the cost of a business combination and the lower fair value of the net acquired assets. Costs related to consulting fees, legal fees, accounting fees and all other professional services are recognized in the period in which they are incurred. The balance sheet does not disclose the badwill, the difference is recognised as profit. The goodwill is recognised as an asset and is subject to tests for impairment at least once a year. Any impairment is immediately recognised as profit or loss and is not reversed in subsequent periods.

### 2.4. TANGIBLE FIXED ASSETS

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

All fixed assets except land and fixed assets in construction are depreciated over their estimated economic useful lives on the straight line basis, with the application of the following annual depreciation rates:
- plants and machinery, vehicles and other 10-60%

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

### 2.5. LEASE

Financial lease contracts are contracts on the basis of which all risks and all potential rewards of the ownership are transferred on the lessee.
All other lease types are treated as operating lease.
Assets used on the basis of financial lease contracts are treated equally as the Company's assets and are measured upon the lease contract inception at the lower of the fair value of the leased item and the present value

of the minimum lease payments. Lease payments are split into the interest part and the principal amount so that the interest rate on the outstanding amount would be a fixed value.
Lease payments under operating lease are recognised in profit or loss on the straight-line basis over the lease term.

### 2.6. INVENTORIES

Inventories are measured at the lower of the cost or the net realisable price. Inventories that lost their relevance or whose relevance has been reduced are impaired. Impairment charges are expensed as other operating costs

### 2.7. BORROWING COSTS

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

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

### 2.8. FINANCIAL INSTRUMENTS

Financial assets and liabilities are on the Company's balance sheet when the Company becomes a party to the contract.
Investments in securities are classified as instruments measured at fair value through profit or loss or available-for-sale and are measured as at the balance sheet date at fair value. When the securities were classified as measured at fair value through profit or loss, the gains or losses due to the change in fair value are recognised as profit or loss of the given period. In case of available-for-sale assets, the gains and losses due to the change in fair value are recognised directly in equity until the sale of the asset or its impairment. Then, the accumulated gains and losses previously recognised in equity are recognised as profit or loss of the given year.

### 2.9. TRADE RECEIVABLES

Trade receivables are measured at cost less impairment. In case of receivables falling due within 12 months of the balance sheet date, due to insignificant differences, they are measured at nominal value.
Provisions for receivables are set up for receivables from debtors in liquidation or bankruptcy, receivables from debtors in case a motion for their bankruptcy has been filed, receivables questioned by the debtors, receivables vindicated in court and past due receivables.

### 2.10. FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

The financial liabilities and equity instruments are classified depending on the economic text of their underlying contracts. Equity instrument is a contract that gives the right to participate in the assets of an entity less all its liabilities.

### 2.11. BANK LOANS

Interest bearing bank loans are recognised at cost corresponding to the fair value of cash received. In subsequent periods the loans are measured at amortised cost using the effective interest method.

### 2.12. TRADE LIABILITIES

The financial liabilities and equity instruments are classified depending on the economic text of their underlying contracts. Equity instrument is a contract that gives the right to participate in the assets of an entity less its liabilities.

### 2.13. EQUITY INSTRUMENTS

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

### 2.14. PROVISIONS

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

### 2.15. COSTS OF ACQUISITION OF NEW ENTITIES

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

### 2.16. SALE REVENUES

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

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

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

Dividend income is recognized upon the determination of the shareholders' right to receive them. In case of dividend advances from subsidiaries, the Company recognizes that the fulfilment of statutory conditions concerning the advance payment is equivalent to the determination of the shareholders' right to receive an advance.

### 2.17. COSTS OF FUTURE PENSION BENEFITS

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

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

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

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

### 2.18. TAXES

The taxes comprise current tax and deferred tax.

The current tax is calculated on the basis of the tax result (taxation basis) of the given financial year. The tax profit (loss) is different from the net book profit (loss) in relation with the exclusion of taxable income and tax deductible costs of subsequent years as well as non-taxable costs and revenue. The taxes are calculated on the basis of tax rates in force in the given financial year.
The deferred tax is measured for all taxable temporary differences as at the balance sheet date between the carrying value of assets and liabilities and their taxable value.

The deferred tax liability is recognised for all taxable temporary differences and the deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the recognized deductible temporary differences can be utilised. There is no tax asset or liability when the temporary difference arises in relation with the goodwill or an initial recognition of another asset or liability in a transaction that does not influence the tax result or the book result.
The deferred tax liability is recognised for all temporary tax differences arising in consequence of investments into subsidiaries, associates and joint ventures, unless the Company is capable of controlling the moment of temporary difference reversal and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

### 2.19. THE COMPANY'S SOCIAL BENEFIT FUND

The Company's Social Benefit Fund Act of 04 March 1997, as amended, stipulates that the Company's Social Benefit Fund is set up by employers employing more than 20 persons. The Company has created such Fund and

makes periodical contributions thereto on the basis of a basic appropriation. The purpose of the Fund is to finance the social activities for the benefit of employees.
The cash in the Fund's bank account are set off against all liabilities to the Fund. The Fund's assets doe not meet the definition of an asset and are not disclosed in the Company's balance sheet.

### 2.20. FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

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

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

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

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

- for conversion of balance sheet data as at 30/06/2010, the following exchange rate was applied: EUR 1 = PLN 4.1458,
  in accordance with conversion table of the National Bank of Poland No. 125/A/NBP/2010 of 30/06/2010.
- for conversion of balance sheet data as at 30/06/2011, the following exchange rate was applied: EUR 1 = PLN 3.9866, in accordance with conversion table of the National Bank of Poland No. 125/A/NBP/2011 of 30/06/2011.

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

- to determine the income statement and cash flow statement data for the first half of 2010, the following exchange rate was applied: EUR 1 = PLN 4.0042, which is an arithmetical average of exchange rates announced by the National Bank of Poland as at the last day of each one of the 6 months covered by the statements, i.e.

$$\frac{4.0616 + 3.9768 + 3.8622 + 3.9020 + 4.0770 + 4.1458}{6} = 4.0042$$

- to determine the income statement and cash flow statement data for the first half of 2011, the following exchange rate was applied: EUR 1 = PLN 3.9673, which is an arithmetical average of exchange rates announced by the National Bank of Poland as at the last day of each one of the 6 months covered by the statements, i.e.

$$\frac{3.9345 + 3.9763 + 4.0119 + 3.9376 + 3.9569 + 3.9866}{6} = 3.9673$$

### 2.22. CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IFRS 1 – *First-Time Adoption of International Financial Reporting Standards* - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after 1 July 2010),
- Amendments to IAS 24 *Related Party Disclosures* - Relief for state-controlled entities and clarification of definition of related parties (effective for annual periods beginning on or after 1 January 2011),
- Amendments to IAS 32 *Financial Instruments: Presentation* - Classification of Issue Rights (effective for annual periods beginning on or after 1 February 2010),
- Amendments to various standards and interpretations *Revisions of IFRS (2010)* - amendments made as part of the procedure of implementation of annual amendments to IFRS as published on 6 May 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13) aimed mainly at solving inconsistencies and clarification of terminology (effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, depending on standard/interpretation,

- Amendments to IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments of a Minimum Funding Requirements* (effective for annual periods beginning on or after 1 January 2011),
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (effective for annual periods beginning on or after 1 July 2010).

According to the Management Board of the Company, the introduction of the above standards and interpretations will not have a significant impact on the accounting policies applied by the Company, save additional or new disclosures. The Company is currently analysing the consequences and the impact of the application of the above new standards and interpretations on the financial statements.

### 2.23. NEW STANDARDS PENDING IMPLEMENTATION BY THE COMPANY

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

- IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2013),
- IFRS 10 *Consolidated Financial Statements* (effective for annual periods beginning on or after 1 January 2013),
- IFRS 11 *Joint Arrangements* (effective for annual periods beginning on or after 1 January 2013),
- IFRS 12 *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2013),
- IFRS 13 *Fair Value Measurement* (effective for annual periods beginning on or after 1 January 2013),
- IAS 27 (revised in 2011) *Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2013),
- IAS 28 (revised in 2011) *Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 – *First-Time Adoption of International Financial Reporting Standards* - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after 1 July 2011),
- Amendments to IFRS 7 *Financial Instruments: Disclosures* - Transfer of Financial Assets (effective for annual periods beginning on or after 1 July 2011),
- Amendments to IAS 1 *Presentation of Financial Statements* - Presentation of items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012),
- Amendments to IAS 12 *Income Taxes* - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012),
- Amendments to IAS 19 *Employee Benefits* - Post-Employment Benefits - Comprehensive Reconsideration (effective for annual periods beginning on or after 1 January 2013),

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

## 3. SUPPLEMENTARY NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS

### NOTE NO. 1.
### OPERATING SEGMENTS

The Company does not identify operating segments, because it carries out a uniform economic activity related to mobile phones.
The Company conducts its operating activities on a single geographic area, i.e. the territory of Poland.
Subject to the trade secrecy clause, no information concerning the value of sales to a particular customers, whose volume exceeds 10% of total sales, has been presented.

### NOTE NO. 2.
### INTANGIBLE ASSETS

Information about intangible assets concerning the carrying amounts, amortisation, and classification was presented in tables 1, 2 and 3.

Table No. 1

| GROSS INTANGIBLE ASSETS | 2011<br>As at<br>30/06/2011 | 2010<br>As at<br>31/12/2010 | 2010<br>As at<br>30/06/2010 |
|---|---|---|---|
| a) goodwill | 21,298 | 21,298 | 21,298 |
| b) acquired concessions, patents, licences and similar assets, including: | 2,593 | 2,560 | 2,555 |
| - software | 2,593 | 2,560 | 2,555 |
| c) other intangible assets | 5,051 | 5,051 | 4,781 |
| Total intangible assets | 28,943 | 28,910 | 28,635 |

Table No. 2

| INTANGIBLE ASSETS IN THE PERIOD FROM 01/01 TO 30/06/2010 | | | | |
|---|---|---|---|---|
| Details | Software (licences) | Other (lease rights) | Goodwill | Total |
| Gross value - as at 01/01/2010 | 2,542 | 4,781 | 21,298 | 28,622 |
| Increase in gross value (due to): | 13 | | | 13 |
| - acquisition | 13 | | | 13 |
| Decrease in gross value (due to): | | | | |
| Gross value - as at 30/06/2010 | 2,555 | 4,781 | 21,298 | 28,635 |
| Amortisation - as at 01/01/2010 | 2,342 | 4,575 | | 6,917 |
| Increase in amortisation (due to): | 41 | 62 | | 104 |
| - amortisation charges | 41 | 62 | | 104 |
| Decrease in amortisation (due to): | | | | |
| Amortisation - as at 30/06/2010 | 2,383 | 4,637 | | 7,020 |
| Net value - as at 01/01/2010 | 201 | 206 | 21,298 | 21,705 |
| Net value - as at 30/06/2010 | 172 | 144 | 21,298 | 21,614 |

Table No. 3

| INTANGIBLE ASSETS IN THE PERIOD FROM 01/01 TO 30/06/2011 | | | | |
|---|---|---|---|---|
| Details | Software (licences) | Other (lease rights) | Goodwill | Total |
| Gross value - as at 01/01/2011 | 2,560 | 5,051 | 21,298 | 28,910 |
| Increase in gross value (due to): | 33 | | | 33 |
| - acquisition | 33 | | | 33 |
| Decrease in gross value (due to): | | | | |
| Gross value - as at 30/06/2011 | 2,593 | 5,051 | 21,298 | 28,943 |
| Amortisation - as at 01/01/2011 | 2,421 | 4,692 | | 7,113 |
| Increase in amortisation (due to): | 38 | 116 | | 155 |
| - amortisation charges | 38 | 116 | | 155 |
| Decrease in amortisation (due to): | | | | |
| Amortisation - as at 30/06/2011 | 2,459 | 4,808 | | 7,268 |

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

| | | | | | |
|---|---|---|---|---|---|
| Net value - as at 01/01/2011 | | 139 | 359 | 21,298 | 21,797 |
| Net value - as at 30/06/2011 | | 134 | 243 | 21,298 | 21,675 |

The Company uses intangible assets it purchased.
The useful life is specified and amounts to, respectively:
- software (licences) 2 years
- Maxebiznes financial & accounting programme 5 years
- cost of acquisition of lease rights (other assets) 5 years

The Company does not amortise the goodwill, but it carries out tests for its impairment.
The intangible assets are amortised over their useful life.

## NOTE NO. 3.

## GOODWILL

**Taurus**

In 2006, the Company acquired an organised business of Taurus Sp. z o.o. comprising a network of thirteen selling outlets, which allowed it to carry out economic activities consisting in the provision of services to PTK Centertel Sp. z o.o. The transaction was closed on 31 August 2006. The balance sheet goodwill as at 31 December 2006 amounted to kPLN 1,202.
As at the take-over date, the goodwill was recognised as a asset that will bring the Company economic benefits in subsequent periods.
The acquiring company measured the merger cost as the total of the fair value of acquired assets plus all costs that could be directly allocated to the merger.
The merger costs amounted to kPLN 113. The value of assets acquired in result of the merger amounted to kPLN 121.

As at 31 December 2010, the Company conducted a goodwill impairment test that did not disclose a necessity to recognise an impairment loss.

**Goodwill impairment test**

The goodwill was created in consequence of the take-over of control over Taurus Sp. z o.o. by Tell S.A. and was allocated to one of the cash generating unit, constituting an organisationally separate business of the Company comprising selling outlets and a network of commercial representatives.

The carrying amount of the goodwill in PLN as at:

| 30/06/2011 | 31/12/2010 |
|---|---|
| PLN 1,202,156.25 | PLN 1,202,156.25 |

Cash generating unit.
The recoverable amount of a cash generating unit was established on the basis of the value in use calculated on the basis of the cash flow forecasts comprising financial budgets for 5 years. The cash flow forecasts assumed a discount rate of 13.5% and the flows exceeding the five-year long period are estimated without any potential growth assumed.
Key assumptions used for the calculation of the value in use
The estimation of the value in use of a cash generating unit is sensitive to the following variables:
• cash flows;
• discount rated;
• market share in a budget year;
• growth rate applied when estimating cash flows outside the scope of budgeted periods.

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

Discount rate – reflects the estimation of risk typical for Tell S.A. made by the management. This is an indication used by the management in order to estimate the operational effectiveness (results) and future investment proposals.
The discount rate and the growth rate of future cash flows assumed for the determination of the recoverable amount was expressed in real values, i.e. disregarding the inflation. The cash flow and the discount rate are compliant with the IAS 36 methodology, i.e. they do not include the income tax paid by the Company. Had the tax effect been accounted for in the discount rate, it would amount to 10.92%.

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

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Estimated growth rate - not assumed.

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

**Havo**
In 2007, Tell S.A. acquired an organised business of Havo Sp. z o.o. by contract of 20 November 2006.
The organised business was finally taken over on 01 February 2007, when all conditions precedent agreed between the parties had been met.
The take-over concerned 105 PTK Centertel Sp. z o.o. service distribution outlets, a sale structure with business consultants, comprising approx. 40 sellers active outside the distribution outlets, receivables from future commissions. The contract contained the Buyer's obligation to adopt a resolution on the issue of 135,000 new shares and offering them to the Seller in exchange for a cash contribution. The total agreed selling price was kPLN 20,175, whereby part of it was paid by a transfer and part was set-off with the buyer's amounts due from the payment of a cash contribution in exchange for shares.
The acquiring company measured the merger cost as the total of the fair value of acquired assets plus all costs that could be directly allocated to the merger.
In relation with the adopted way of qualification of revenue, the total amount of expenses to acquire the organised business was decreased by the value of tangible fixed assets taken over, and the remaining part was recognised as goodwill. It was assumed that goodwill constituted future economic benefits from assets that cannot be separately identified or recognised.
The merger costs amounted to kPLN 689. The value of assets acquired in result of the merger amounted to kPLN 768.

As at 31 December 2010, the Company conducted a goodwill impairment test that did not disclose a necessity to recognise an impairment loss.

**Goodwill impairment test**
The goodwill was created in consequence of the take-over of control over Havo Sp. z o.o. by Tell S.A. and was allocated to one of the cash generating unit, constituting an organisationally separate business of the Company comprising selling outlets and a network of commercial representatives.

The carrying amount of the goodwill in PLN as at:

| 30/06/2011 | 31/12/2010 |
|---|---|
| PLN 21,096,079.04 | PLN 21,096,079.04 |

Cash generating unit
The recoverable amount of a cash generating unit was established on the basis of the value in use calculated on the basis of the cash flow forecasts comprising financial budgets for 5 years. The cash flow forecasts assumed a discount rate of 13.5% and the flows exceeding the five-year long period are estimated without any potential growth assumed.
Key assumptions used for the calculation of the value in use
The estimation of the value in use of a cash generating unit is sensitive to the following variables:
• cash flows;
• discount rated;
• market share in a budget year;
• growth rate applied when estimating cash flows outside the scope of budgeted periods.
Cash flows – are made on the basis of values achieved in the periods preceding the budget period and on the prudent estimates concerning the future derived from them.

Discount rate – reflects the estimation of risk typical for Tell S.A. made by the management. This is an indication used by the management in order to estimate the operational effectiveness (results) and future investment proposals.
The discount rate and the growth rate of future cash flows assumed for the determination of the recoverable amount was expressed in real values, i.e. disregarding the inflation. The cash flow and the discount rate are compliant with the IAS 36 methodology, i.e. they do not include the income tax paid by the Company. Had the tax effect been accounted for in the discount rate, it would amount to 10.92%.
Assumptions concerning the market shares – these assumptions are material because the management assesses the ways in which the economic and financial position of Tell S.A. may change during the budget period with respect to competitors. The management expects that the market share of Tell S.A. will be stable in the budget year.

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Estimated growth rate - not assumed.

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

## NOTE NO. 4.
## TANGIBLE FIXED ASSETS

Information on tangible fixed assets was presented in tables 4 to 7.

Table No. 4

| GROSS TANGIBLE FIXED ASSETS | 2011 As at 30/06/2011 | 2010 As at 31/12/2010 | 2010 As at 30/06/2010 |
|---|---|---|---|
| a) fixed assets, including: | 10,203 | 10,460 | 10,657 |
| - plants and machinery | 2,629 | 2,573 | 2,592 |
| - vehicles | 1,166 | 1,429 | 1,667 |
| - other fixed assets | 6,408 | 6,459 | 6,398 |
| b) fixed assets in construction | 5 | | 109 |
| c) advances for fixed assets in construction | | | |
| Total tangible fixed assets | 10,208 | 10,460 | 10,766 |

Table No. 5

| TANGIBLE FIXED ASSETS IN THE PERIOD FROM 01/01 TO 30/06/2010 | | | | | |
|---|---|---|---|---|---|
| Details | Land | Plants and machinery | Vehicles | Other fixed assets | Total |
| Gross value - as at 01/01/2010 | | 2,544 | 1,833 | 6,230 | 10,606 |
| Increase in gross value (due to): | | 63 | 223 | 169 | 455 |
| - acquisition | | 63 | 223 | 169 | 455 |
| Decrease in gross value (due to): | | 15 | 389 | 1 | 405 |
| - sale | | 15 | 389 | 1 | 405 |
| Gross value - as at 30/06/2010 | | 2,592 | 1,667 | 6,398 | 10,657 |
| Amortisation - as at 01/01/2010 | | 1,618 | 880 | 3,540 | 6,039 |
| Increase in amortisation (due to): | | 249 | 172 | 373 | 794 |
| - amortisation charges | | 249 | 172 | 373 | 794 |
| Decrease in amortisation (due to): | | 13 | 198 | 1 | 212 |
| - sale | | 13 | 198 | 1 | 212 |
| Amortisation - as at 30/06/2010 | | 1,854 | 855 | 3,912 | 6,621 |
| Net value - as at 01/01/2010 | | 926 | 952 | 2,690 | 4,568 |
| Net value - as at 30/06/2010 | | 738 | 812 | 2,486 | 4,036 |

Table No. 6

| TANGIBLE FIXED ASSETS IN THE PERIOD FROM 01/01 TO 30/06/2011 | | | | |
|---|---|---|---|---|
| Details | Plants and machinery | Vehicles | Other fixed assets | Total |
| Gross value - as at 01/01/2011 | 2,573 | 1,429 | 6,459 | 10,460 |
| Increase in gross value (due to): | 98 | | 51 | 149 |
| - acquisition | 98 | | 51 | 149 |
| Decrease in gross value (due to): | 42 | 263 | 102 | 406 |
| - sale | 42 | 263 | 102 | 406 |
| Gross value - as at 30/06/2011 | 2,629 | 1,166 | 6,408 | 10,203 |

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

| | | | | |
|---|---|---|---|---|
| Amortisation - as at 01/01/2011 | 2,051 | 626 | 4,052 | 6,729 |
| Increase in amortisation (due to): | 211 | 127 | 364 | 702 |
| - amortisation charges | 211 | 127 | 364 | 702 |
| Decrease in amortisation (due to): | 41 | 184 | 55 | 279 |
| - sale | 41 | 184 | 55 | 279 |
| Amortisation - as at 30/06/2011 | 2,222 | 569 | 4,362 | 7,152 |
| Net value - as at 01/01/2011 | 521 | 803 | 2,407 | 3,731 |
| Net value - as at 30/06/2011 | 407 | 597 | 2,046 | 3,050 |

Table No. 7

| BALANCE SHEET FIXED ASSETS (OWNERSHIP STRUCTURE) | 2011 As at 30/06/2011 | 2010 As at 31/12/2010 | 2010 As at 30/06/2010 |
|---|---|---|---|
| a) own | 10,208 | 10,460 | 10,766 |
| b) used on the basis of a lease, rental or similar contract, including: | | | |
| Total gross balance sheet fixed assets | 10,208 | 10,460 | 10,766 |

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

Adopted useful lives:

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

The depreciable tangible assets are depreciated over their useful life.

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

## NOTE NO. 5.
## LONG-TERM RECEIVABLES

Information on long-term receivables is presented in table 8.

Table No. 8

| GROSS LONG-TERM RECEIVABLES | 2011 As at 30/06/2011 | 2010 As at 31/12/2010 | 2010 As at 30/06/2010 |
|---|---|---|---|
| a) from related parties | | | |
| b) from other parties – deposits | 695 | 753 | 723 |
| Total net short-term receivables | 695 | 753 | 723 |
| c) impairment charges | | | |
| Total gross short-term receivables | 695 | 753 | 723 |

## NOTE NO. 6.
## INVESTMENT PROPERTIES

Not present in the Company.

## NOTE NO. 7.
## INVESTMENTS IN SUBSIDIARIES

Information about investments in subsidiaries is presented in the tables below. Investments in subsidiaries comprise shares presented in tables 9,10,11.

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Table No. 9

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

Table No. 10

| LONG-TERM FINANCIAL ASSETS | 2011 As at 30/06/2011 | 2010 As at 31/12/2010 | 2010 As at 30/06/2010 |
|---|---|---|---|
| a) interests in subsidiaries | 25,636 | 24,349 | 24,349 |
| - Euro-Phone Sp. z o.o. | 11,025 | 11,025 | 11,025 |
| - PTI Sp. z o.o. | 13,324 | 13,324 | 13,324 |
| - Toys4Boys.Pl Sp. z o.o. | 1,287 | | |
| Total long-term financial assets | 25,636 | 24,349 | 24,349 |

Table No. 11

| CHANGE IN LONG-TERM FINANCIAL ASSETS - INTERESTS | 2011 As at 30/06/2011 | 2010 As at 31/12/2010 | 2010 As at 30/06/2010 |
|---|---|---|---|
| a) as at period beginning | 24,349 | 20,585 | 20,585 |
| - PTI Sp. z o.o. | | 11,328 | 11,328 |
| - Euro-Phone Sp. z o.o. | | 9,257 | 9,257 |
| b) increase (due to) | 1,287 | 3,764 | 3,764 |
| - additional payment of the price for shares in Impol Sp. z o.o. | | 1,000 | 1,000 |
| - increase of the share capital of Euro-Phone Sp. z o.o. | | 996 | 996 |
| - increase of the share capital of PTI Sp. z o.o. | | 1,768 | 1,768 |
| - acquisition of 30% of shares in Toy4Boys.Pl Sp. z o.o. | 1,287 | | |
| c) decrease (due to) | | | |
| a) as at period end | 25,636 | 24,349 | 24,349 |
| - Euro-Phone Sp. z o.o. | 11,025 | 11,025 | 11,025 |
| - PTI Sp. z o.o. | 13,324 | 13,324 | 13,324 |
| - Toys4BoysPl. Sp. z o.o. | 1,287 | | |

On 15 March 2011, Tell S.A. acquired 30% of shares in the increased share capital of Toys4Boys.Pl Sp. z o.o. with registered office in Gdańsk for PLN 1,287,000. The investment contract also provides for the acquisition from

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the previous shareholders of further shares for the total of PLN 900,000. Such shareholding, including the previously acquired shares, would give 51% of the share capital and 51% of votes at the general meeting of shareholders.
The Company is the leader on the market of gifts and gadgets. It runs 13 stores located in shopping malls and an Internet shop. The transaction is an element of the strategy of diversification of the issuer's revenue.

## NOTE NO. 8.
## FINANCIAL ASSETS AVAILABLE-FOR-SALE AND TRADING AND MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

There are no available-for-sale financial assets not financial assets held for trading.

## NOTE NO. 9.
## INVENTORIES

Information on inventories is presented in table 12.

Table No. 12

| INVENTORIES | 2011 As at 30/06/2011 | 2010 As at 31/12/2010 | 2010 As at 30/06/2010 |
|---|---|---|---|
| a) goods | 9,017 | 13,388 | 15,111 |
| Total gross inventories | 9,017 | 13,388 | 15,111 |
| b) impairment charges | 556 | 556 | 770 |
| Total net inventories | 8,461 | 12,833 | 14,341 |

The inventories comprised goods purchased and held for sale. The inventories are recognised at cost, not higher than the costs to sell. Inventories constitute a loan security. Registered pledge was established on the borrower's inventories in accordance with the detailed provisions of a registered pledge contracts concluded between the borrower and the banks.

## NOTE NO. 10.
## TRADE RECEIVABLES AND OTHER RECEIVABLES

Information on trade receivables and other receivables is presented in tables 13 to 15.

Table No. 13

| SHORT-TERM RECEIVABLES | 2011 As at 30/06/2011 | 2010 As at 31/12/2010 | 2010 As at 30/06/2010 |
|---|---|---|---|
| a) trade receivables from related parties | 1 | 25 | 540 |
| b) receivables from other parties | 32,738 | 40,453 | 34,137 |
| - trade receivables falling due within 12 months | 32,690 | 40,344 | 33,875 |
| - VAT receivables | | 70 | 33 |
| - other | 48 | 39 | 229 |
| Total net short-term receivables | 32,739 | 40,479 | 34,677 |
| c) impairment charges | 2,105 | 1,989 | 930 |
| Total gross short-term receivables | 34,843 | 42,468 | 35,607 |

Table No. 14

| CHANGE IN IMPAIRMENT OF SHORT-TERM RECEIVABLES | 2011 As at 30/06/2011 | 2010 As at 31/12/2010 | 2010 As at 30/06/2010 |
|---|---|---|---|
| As at period beginning | 1,989 | 750 | 750 |
| a) increase (due to) | 116 | 1,242 | 180 |

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

| | | | |
|---|---|---|---|
| - provisions for impaired trade receivables from other parties | 116 | 1,242 | 180 |
| b) decrease (due to) | | 4 | |
| - reversal of provisions for impaired trade receivables from other parties | | 4 | |
| Provisions for short-term receivables as at period end | 2,105 | 1,989 | 930 |

Table No. 15

| GROSS SHORT-TERM RECEIVABLES (CURRENCY STRUCTURE) | 2011 As at 30/06/2011 | 2010 As at 31/12/2010 | 2010 As at 30/06/2010 |
|---|---|---|---|
| a) in PLN | 34,843 | 42,468 | 35,607 |
| b) in foreign currencies (as per currency and after conversion into PLN) | | | |
| Total short-term receivables | 34,843 | 42,468 | 35,607 |

Trade receivables do not bear interest and usually have a 21-day maturity in case of wholesalers, in case of retail sale - the payment is made in cash. The Company has in place a policy of selling only to verified wholesale customers. Therefore, there is no additional credit risk, higher than the level determined by the provision for bad receivables.
Past-due amounts are presented in the balance sheet in net values. The carrying amount of receivables corresponds to their fair value.

## NOTE NO. 11.
## LONG-TERM AND SHORT-TERM PREPAYMENTS

Information on prepayments is presented in table 16.

Table No. 16

| PREPAYMENTS | 2011 As at 30/06/2011 | 2010 As at 31/12/2010 | 2010 As at 30/06/2010 |
|---|---|---|---|
| a) Long-term prepayments, including: | 327 | 387 | 452 |
| - rental fee | 327 | 387 | 452 |
| a) Short-term prepayments, including: | 473 | 236 | 516 |
| - property insurance costs | 69 | 101 | 100 |
| - Company's Social Benefit Fund | 269 | | 284 |
| - rental fee | 129 | 129 | 129 |
| - other costs | 6 | 6 | 3 |

## NOTE NO. 12.
## CASH AND CASH EQUIVALENTS

Information on cash and cash equivalents is presented in table 17.

Table No. 17

| CASH AND CASH EQUIVALENTS | 2011 As at 30/06/2011 | 2010 As at 31/12/2010 | 2010 As at 30/06/2010 |
|---|---|---|---|
| Cash in hand | 153 | 238 | 255 |
| Cash at bank (including): | 105 | 3,459 | 13 |
| - Bank DnB NORD Polska S.A. | 105 | 1,643 | |
| - BZ WBK S.A. | | | 13 |
| - Alior Bank S.A. | | 1,816 | |
| Total cash | 258 | 3,697 | 268 |

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Cash comprises cash in hand and cash at banks.
The credit risk related to liquid funds is limited, because the other transaction parties are banks having high credit quality class.

## NOTE NO. 13.
## OTHER HELD-TO-MATURITY FINANCIAL ASSETS

Information on other financial assets is presented in table 18.

Table No. 18

| OTHER SHORT-TERM FINANCIAL ASSETS | 2011 As at 30/06/2011 | 2010 As at 31/12/2010 | 2010 As at 30/06/2010 |
|---|---|---|---|
| a) in related parties – loans granted | 12,115 | 6,439 | 10,494 |
| - Connex Sp. z o.o. | 560 | 560 | 560 |
| - PTI Sp. z o.o | 4,299 | 817 | 2,213 |
| - Euro-Phone Sp. z o.o | 7,257 | 5,062 | 7,721 |
| b) significant investor - loans granted | | | 151 |
| - BBI Capital NFI S.A. | | | 151 |
| Total gross other short-term financial assets | 12,115 | 6,439 | 10,645 |
| c) impairment of loans to Connex Sp. z o.o. | 560 | 560 | 560 |
| Total net other short-term financial assets | 11,556 | 5,879 | 10,085 |

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

## NOTE NO. 14.
## SHARE CAPITAL

Information on the share capital structure as at the balance sheet date is presented in table 19.

Table No. 19

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

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

In the 1st half of 2011, there was a change in the shareholding structure and voting rights. Pursuant to the request of a shareholder, 70,000 series A registered shares were converted into bearer shares. The converted shares were preferential in terms of voting rights; each share entitled to two votes. In consequence of conversion, this preference expired. After the conversion, the total votes at the general meeting of shareholders is 8,356,248. After the conversion, the value of the share capital did not change and amounts to PLN 1,261,924.60.

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

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- 2,046,625 series A registered preferential shares (one share entitles to two votes)
- 4.262.998 ordinary bearer shares.

The nominal value of each share is PLN 0.20.

Total number of votes from all issued shares is 8,356,248.

**NOTE NO. 15.**

**TREASURY SHARES**

Information on treasury shares is presented in table 20.

Table No. 20

| VALUE OF TREASURY SHARES | 2011<br>As at<br>30/06/2011 | 2010<br>As at<br>31/12/2010 | 2010<br>As at<br>30/06/2010 |
|---|---|---|---|
| As at period beginning | 0 | 3 | 3 |
| a) shares purchased during the period | | | |
| a) shares sold during the period | | | |
| c) shares redeemed | | 3 | 3 |
| As at period end, total | 0 | 0 | 0 |

As at the reporting date, the Company does not have any treasury shares.

**NOTE NO. 16.**

**SUPPLEMENTARY CAPITAL**

Information on supplementary capital is presented in table 21.

Table No. 21

| VALUE OF SUPPLEMENTARY CAPITAL | 2011<br>As at<br>30/06/2011 | 2010<br>As at<br>31/12/2010 | 2010<br>As at<br>30/06/2010 |
|---|---|---|---|
| a) share premium | 24,863 | 24,863 | 24,863 |
| b) established in accordance with the statutes/articles of association above the statutory (minimum) value | 11,976 | 11,373 | 11,373 |
| Total supplementary capital | 36,840 | 36,237 | 36,237 |

The supplementary capital is created from share premium. Additionally, the supplementary capital is created from the appropriation of profits generated by the company in previous years.
The value of the supplementary capital rose by kPLN 603 due to the distribution of profits for 2010. The remaining part of net profit was used to pay dividends.

**NOTE NO. 17.**

**RESERVE CAPITAL**

Information on reserve capitals is presented in table 22.
Table No. 22

| VALUE OF RESERVE CAPITAL | 2011<br>As at<br>30/06/2011 | 2010<br>As at<br>31/12/2010 | 2010<br>As at<br>30/06/2010 |
|---|---|---|---|
| Reserve capital at period beginning | 9,902 | 9,902 | 9,902 |
| a) from the transfer from supplementary capital | | | |
| b) cost of purchase of treasury shares above par value | | | |
| b) sale of treasury shares above par value | | | |
| Total reserve capitals | 9,902 | 9,902 | 9,902 |

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

## NOTE NO. 18.
## INFORMATION ON THE DIVIDENDS PAID (OR DECLARED), IN TOTAL AND AS DIVIDED PER SHARE, WITH A BREAKDOWN INTO ORDINARY AND PREFERENTIAL SHARES.

By virtue of resolution No. 16/2011 of 28 April 2011, the General Meeting of Shareholders of Tell S.A. resolved to distribute the net profit disclosed in the 2010 financial statements in an amount of PLN 5,650,775.48 as follows:
- payment of the dividend in an amount of PLN 0.80 per one share in the Company,
- supplementary capital in an amount remaining after the payment of the dividend.

The dividend day was determined to be 18 May 2011, and the dividend payment date - 01 June 2011.
The number of shares entitling to the dividend is 6,309,623, and the dividend amounts to PLN 5,047,698.40.

## NOTE NO. 19.
## PROVISIONS

Information about provisions was presented in table 23 and table 24.

Table No. 23

| CHANGE IN LONG-TERM PROVISION FOR RETIREMENT BENEFITS AND SIMILAR BENEFITS (TITLES) | 2011 As at 30/06/2011 | 2010 As at 31/12/2010 | 2010 As at 30/06/2010 |
|---|---|---|---|
| a) as at period beginning | 10 | 10 | 10 |
| - provision for retirement benefits | 10 | 10 | 10 |
| b) increase (due to) | | | |
| c) utilisation (due to) | | | |
| d) write-back (due to) | | | |
| a) as at period end | 10 | 10 | 10 |
| - provision for retirement benefits | 10 | 10 | 10 |

Table No. 24

| CHANGE IN OTHER SHORT-TERM PROVISIONS (TITLES) | 2011 As at 30/06/2011 | 2010 As at 31/12/2010 | 2010 As at 30/06/2010 |
|---|---|---|---|
| a) As at period beginning, per title: | 757 | 685 | 685 |
| provision for accrued holidays | 417 | 246 | 246 |
| provision for payroll costs | 300 | 400 | 400 |
| provision for financial statements audit costs | 40 | 39 | 39 |
| b) increase (due to) | | 511 | 439 |
| provision for payroll costs | | 300 | 400 |
| provision for financial statements audit cost | | 40 | 39 |
| provision for accrued holidays | | 171 | |
| c) utilisation (due to) | 340 | 439 | |
| payment of salaries/wages | 300 | 400 | |
| payment for financial statement audit | 40 | 39 | |
| a) As at period end, per title: | 417 | 757 | 246 |
| provision for payroll costs | | 300 | |
| provision for financial statements audit cost | | 40 | |
| provision for accrued holidays | 417 | 417 | 246 |

## NOTE NO. 20.
## TRADE LIABILITIES AND OTHER LIABILITIES

Information on trade liabilities and other liabilities is presented in tables 25 to 28.

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Table No. 25

| LONG-TERM LIABILITIES | 2011 As at 30/06/2011 | 2010 As at 31/12/2010 | 2010 As at 30/06/2010 |
|---|---|---|---|
| a) to other parties | 3,279 | 4,134 | 4,989 |
| - loans sanctioned by Alior Bank Polska S.A. | 3,279 | 4,134 | 4,989 |
| Total long-term liabilities | 3,279 | 4,134 | 4,989 |

Table No. 26

| LONG-TERM LIABILITIES, WITH MATURITIES FALLING DUE AFTER THE BALANCE SHEET DATE | 2011 As at 30/06/2011 | 2010 As at 31/12/2010 | 2010 As at 30/06/2010 |
|---|---|---|---|
| a) above 1 year to 3 years | 3,279 | 4,134 | 4,989 |
| a) above 3 years to 5 years | | | |
| Total long-term liabilities | 3,279 | 4,134 | 4,989 |

Table No. 27

| SHORT-TERM LIABILITIES | 2011 As at 30/06/2011 | 2010 As at 31/12/2010 | 2010 As at 30/06/2010 |
|---|---|---|---|
| a) to related parties | | 1 | |
| - trade liabilities falling due within 12 months | | 1 | |
| b) to other parties | 44,535 | 53,396 | 54,392 |
| - loans and advances, including: | 3,410 | 1,711 | 6,926 |
| long-term loans falling due within 12 months | 1,711 | 1,711 | 1,711 |
| - trade liabilities falling due within 12 months | 37,716 | 48,179 | 44,643 |
| - tax, customs, social insurance and other liabilities: | 2,293 | 2,149 | 1,449 |
| including CIT liabilities | 58 | 255 | |
| - payroll | 905 | 1,054 | 1,121 |
| - other | 211 | 303 | 253 |
| Total short-term liabilities | 44,535 | 53,397 | 54,392 |

Table No. 28

| SHORT-TERM LIABILITIES (CURRENCY STRUCTURE) | 2011 As at 30/06/2011 | 2010 As at 31/12/2010 | 2010 As at 30/06/2010 |
|---|---|---|---|
| a) in PLN | 44,535 | 53,397 | 54,392 |
| b) in foreign currencies (as per currency and after conversion into PLN) | | | |
| Total short-term liabilities | 44,535 | 53,397 | 54,392 |

Trade liabilities do not bear interest and are usually settled within the deadlines set by the creditors, i.e. 14 days in case of service providers and 21 days in case of goods suppliers.
Liabilities related to bank loan interest are settled on a monthly basis.

## NOTE NO. 21.
## LOANS AND ADVANCES

Information on loan liabilities is presented in tables 29 to 31.

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Table No. 29

| LONG-TERM LOAN LIABILITIES | | | | | |
|---|---|---|---|---|---|
| Name of company | Seat | Loan amount per contract | Loan amount outstanding as at 30/06/2010<br>30/06/2011 | Interest terms | Repayment date |
| ALIOR BANK S.A. | Warszawa | 6,000 | 4,700<br>3,500 | WIBOR 1M +bank margin | 30/05/2014 |

Loan security:
- power of attorney to debit the borrower's accounts,
- registered pledge on 100% of shares in PTI Sp. z o.o.
- power of attorney to debit accounts of PTI Sp. z o.o.
- registered pledge on inventories
- assignment of rights under the insurance policy concerning inventories.

Table No. 30

| LONG-TERM LOAN LIABILITIES | | | | | |
|---|---|---|---|---|---|
| Name of company | Seat | Loan amount per contract | Loan amount outstanding as at 30/06/2010<br>30/06/2011 | Interest terms | Repayment date |
| ALIOR BANK S.A. | Warszawa | 2,000 | 2,000<br>1,489 | WIBOR 1M +bank margin | 30/05/2014 |

Loan security:
- power of attorney to debit the borrower's accounts,
- power of attorney to debit accounts of PTI Sp. z o.o.
- registered pledge on 100% of shares in PTI Sp. z o.o.
- registered pledge on inventories of PTI Sp. z o.o.
- assignment of rights under the insurance policy concerning inventories.

Table No. 31

| SHORT-TERM LOAN LIABILITIES | | | | | |
|---|---|---|---|---|---|
| Name of company | Seat | Loan amount per contract | Loan amount outstanding as at 30/06/2010<br>30/06/2011 | Interest terms | Repayment date |
| BANK DnB NORD POLSKA S.A. | Warszawa | 5,000 | 4,581<br>1,505 | WIBOR 1M +bank margin | 30/05/2012 |
| ALIOR BANK S.A. | Warszawa | 2,000 | 621<br>194 | WIBOR 1M + bank margin | 04/04/2012 |

Loan security:
BANK DnB NORD POLSKA S.A.:
- power of attorney to debit the borrower's accounts,
- registered pledge on the borrower's inventories with a book value not lower than 150% of the debt limit,
- assignment of rights under insurance policy.

Alior Bank S.A.:
- power of attorney to debit the borrower's accounts,
- power of attorney to debit accounts of PTI Sp. z o.o.,
- registered pledge on movable property of PTI Sp. z o.o. for the amount of kPLN 4.000,
- assignment of receivables from the movable property insurance policy for a sum of kPLN 2.000

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

## NOTE NO. 22.
## CONTINGENT LIABILITIES

Table No. 32

| Entity/Bank | Type of liability | Value as at in kPLN | Security |
|---|---|---|---|
| | | 30/06/2011 | |
| PTC Sp. z o.o. | merchant's loan | 6,300 | guarantee for Euro-Phone Sp. z o.o. |
| Bank DnD Nord Polska S.A. | guarantee line facility | 1,600 | guarantee for Euro-Phone Sp. z o.o. |
| Bank DnD Nord Polska S.A. | loan | 7,500 | guarantee for Euro-Phone Sp. z o.o. |
| Alior Bank S.A. | guarantee line facility | 1,500 | guarantee for PTI Sp. z o.o. |
| Alior Bank S.A. | loan | 3,000 | guarantee for PTI Sp. z o.o. |

## NOTE NO. 23.
## LIABILITIES OF THE COMPANY'S SOCIAL BENEFIT FUND

The Company’s Social Benefit Fund Act of 4 March 1997, as amended, stipulates that the Company’s Social Benefit Fund is set up by employers employing more than 20 persons. The Company has created such Fund and makes periodical contributions thereto on the basis of a basic appropriation. The purpose of the Fund is to finance the social activities for the benefit of employees.
The cash in the Fund's bank account are set off in the balance sheet against all liabilities to the Fund.

## NOTE NO. 24.
## INCOME TAX

The income tax specification in the reporting period is presented in tables 33 to 35.

Table No. 33

| CURRENT INCOME TAX | 2011 As at 30/06/2011 | 2010 As at 31/12/2010 | 2010 As at 30/06/2010 |
|---|---|---|---|
| 1. Gross profit | 5,950 | 6,864 | 2,266 |
| 2. Difference between the gross profit and the base for income tax (titles) | - 5,498 | - 5,331 | -3,224 |
| - non-taxable revenues and revenues exempt from taxation | - 3,501 | - 3,197 | -1,911 |
| - tax revenues that are not book revenues | | 305 | 100 |
| - non-tax deductible costs | 521 | 1,160 | 1,171 |
| - transitory non-tax deductible costs | 215 | 2,385 | 259 |
| - tax costs that are not book costs | - 2,734 | - 5,984 | -2,843 |
| 3. Tax base | 422 | 1,532 | -957 |
| 4. Income deductibles - donations | | 16 | |
| 5. Income tax base | 422 | 1,516 | |
| 6. Income tax at 19% | 80 | 288 | |

Table No. 34

| CURRENT INCOME TAX RECOGNISED AS PROFIT OR LOSS | 2011 As at 30/06/2011 | 2010 As at 31/12/2010 | 2010 As at 30/06/2010 |
|---|---|---|---|
| - recognised as profit or loss | 80 | 288 | 0 |
| - recognised as equity | | | |
| Total current income tax | 80 | 288 | 0 |

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Table No. 35

| DEFERRED INCOME TAX RECOGNISED AS PROFIT OR LOSS: | 2011 As at 30/06/2011 | 2010 As at 31/12/2010 | 2010 As at 30/06/2010 |
|---|---|---|---|
| - reversal of income tax liability | - 17 | - 75 | - 31 |
| - set up of an income tax asset | - 41 | - 198 | - 234 |
| - set up of an income tax liability | 457 | 870 | 548 |
| - reversal of an income tax asset | 115 | 328 | 138 |
| Total deferred income tax | 514 | 925 | 422 |

## NOTE NO. 25.
## DEFERRED INCOME TAX

The deferred income tax is presented in tables 36 and 37.

Table No. 36

| CHANGE IN DEFERRED TAX ASSETS | 2011 As at 30/06/2011 | 2010 As at 31/12/2010 | 2010 As at 30/06/2010 |
|---|---|---|---|
| 1. Deferred income tax assets as at period beginning, including: | 502 | 632 | 632 |
| a) recognised as profit or loss | 502 | 632 | 632 |
| - provision for holidays and retirement benefits | 81 | 49 | 49 |
| - salaries and wages | 59 | 82 | 82 |
| - social insurance contributions payable by the employer | 48 | 49 | 49 |
| - other provisions for costs | 66 | 163 | 163 |
| - impairment of inventories | 106 | 146 | 146 |
| - impairment of receivables | 143 | 143 | 143 |
| 2. Increases | 41 | 198 | 234 |
| a) recognised as financial profit or loss in relation with deductible temporary difference (due to) | 41 | 198 | 52 |
| - provision for holidays and retirement benefits | | 32 | |
| - salaries and wages | 2 | 59 | 4 |
| - social insurance contributions payable by the employer | 39 | 48 | 46 |
| - other provisions for costs | | 59 | |
| - impairment of inventories | | | |
| - impairment of receivables | | | |
| b) recognised as profit or loss of the period in relation with the tax loss | | | 182 |
| 3. Decreases | 115 | 328 | 138 |
| a) recognised as financial profit or loss in relation with deductible temporary difference (due to) | 115 | 328 | 138 |
| - salaries and wages | 2 | 82 | 6 |
| - social insurance contributions payable by the employer | 48 | 49 | 49 |
| - other provisions for costs | 65 | 156 | 83 |
| - impairment of inventories | | 41 | |
| - impairment of receivables | | | |
| 4. Total deferred income tax assets as at period end, including: | 429 | 502 | 727 |
| a) recognised as profit or loss | 429 | 502 | 727 |
| - provision for holidays and retirement benefits | 81 | 81 | 49 |
| - salaries and wages | 2 | 59 | 4 |
| - social insurance contributions payable by the employer | 39 | 48 | 46 |

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

| | | | |
|---|---|---|---|
| - other provisions for costs | 58 | 66 | 156 |
| - impairment of inventories | 106 | 106 | 146 |
| - impairment of receivables | 143 | 143 | 143 |
| - tax loss | | | 182 |

Table No. 37

| CHANGE IN DEFERRED TAX LIABILITIES | 2011 As at 30/06/2011 | 2010 As at 31/12/2010 | 2010 As at 30/06/2010 |
|---|---|---|---|
| 1. Deferred tax liabilities at period beginning, including: | 3,293 | 2,498 | 2,498 |
| a) recognised as financial profit or loss due to temporary differences | 3,293 | 2,498 | 2,498 |
| - amortisation | 17 | 39 | 39 |
| - loan interest | 159 | 151 | 151 |
| - goodwill | 3,118 | 2,308 | 2,308 |
| 2. Increases | 457 | 870 | 548 |
| a) recognised as financial profit or loss in relation with taxable temporary difference (due to) | 457 | 870 | 548 |
| - interest | 53 | 61 | 48 |
| - goodwill | 405 | 809 | 405 |
| 3. Decreases | 17 | 75 | 31 |
| a) recognised as financial profit or loss in relation with taxable temporary difference (due to) | | 75 | 31 |
| - reversal of temporary differences - amortisation and depreciation | 17 | 22 | 12 |
| - reversal of temporary differences - payment of interest | | 53 | 19 |
| 4. Deferred tax liabilities at period end, total | 3,734 | 3,293 | 3,015 |
| a) recognised as financial profit or loss | 3,734 | 3,293 | 3,015 |
| - amortisation and depreciation | | 17 | 27 |
| - loan interest | 211 | 159 | 180 |
| - goodwill | 3,522 | 3,118 | 2,713 |
| - revenue | | | 95 |

## NOTE NO. 26.
## REVENUE FROM SALE IN THE REPORTING PERIOD

The revenue from the sale is presented in tables 38 to 39.

Table No. 38

| NET REVENUE FROM THE SALE OF PRODUCTS (TYPE STRUCTURE - TYPES OF ACTIVITIES) | 2011 period from 01/01/2011 to 31/06/2011 | 2010 period from 01/01/2010 to 31/12/2010 | 2010 period from 01/01/2010 to 31/06/2010 |
|---|---|---|---|
| Revenue from the sale of services | 41,212 | 84,360 | 40,994 |
| including: from related parties | 162 | 611 | 508 |
| - revenue from the sale of telecommunication services | 38,347 | 77,908 | 37,873 |
| - other services | 2,865 | 6,452 | 3,121 |
| including: from related parties | 162 | 611 | 508 |
| Total net revenues from the sale of products | 41,212 | 84,360 | 40,994 |

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Table No. 39

| NET REVENUE FROM THE SALE OF GOODS (TYPE STRUCTURE - TYPES OF ACTIVITIES) | 2011 period from 01/01/2011 to 31/06/2011 | 2010 period from 01/01/2010 to 31/12/2010 | 2010 period from 01/01/2010 to 31/06/2010 |
|---|---|---|---|
| Revenue from the sale of goods | 13,232 | 35,718 | 15,753 |
| including: from related parties | 67 | 103 | 24 |
| - sets and pre-paid refillments | 8,763 | 19,099 | 9,135 |
| - postpaid contact phones | 3,402 | 13,880 | 5,225 |
| - other goods | 1,067 | 2,739 | 1,393 |
| Total net revenue from the sale of goods | 13,232 | 35,718 | 15,753 |

## NOTE NO. 27.
## FINANCIAL INCOME AND EXPENSES

The financial income and expenses are presented in tables 40 to 45.

Table No. 40

| DIVIDEND INCOME AND PROFIT SHARING INCOME | 2011 period from 01/01/2011 to 31/06/2011 | 2010 period from 01/01/2010 to 31/12/2010 | 2010 period from 01/01/2010 to 31/06/2010 |
|---|---|---|---|
| a) dividend income | 3,225 | 1,142 | 1,142 |
| - from related parties | 3,225 | 1,142 | 1,142 |
| b) advances to dividends received | | 1,519 | |
| - from related parties | | 1,519 | |
| Financial income from dividends | 3,225 | 2,661 | 1,142 |

Table No. 41

| FINANCIAL INCOME FROM INTEREST | 2011 period from 01/01/2011 to 31/06/2011 | 2010 period from 01/01/2010 to 31/12/2010 | 2010 period from 01/01/2010 to 31/06/2010 |
|---|---|---|---|
| a) due to loans granted | 325 | 661 | 304 |
| - from related parties | 325 | 644 | 289 |
| - from a significant investor | | 17 | 15 |
| b) other interest | 47 | 50 | 49 |
| - from other parties | 47 | 50 | 49 |
| Total financial income from interest | 372 | 712 | 353 |

Table No. 43

| FINANCIAL COSTS DUE TO INTEREST | 2011 period from 01/01/2011 to 31/06/2011 | 2010 period from 01/01/2010 to 31/12/2010 | 2010 period from 01/01/2010 to 31/06/2010 |
|---|---|---|---|
| a) on loans and advances | 298 | 692 | 363 |
| - to other parties | 298 | 692 | 363 |
| Total financial costs due to interest | 298 | 692 | 363 |

Table No. 44

| IMPAIRMENT OF FINANCIAL ASSETS | 2011 period from 01/01/2011 to 31/06/2011 | 2010 period from 01/01/2010 to 31/12/2010 | 2010 period from 01/01/2010 to 31/06/2010 |
|---|---|---|---|
| a) loans and advances | | 560 | 560 |
| - for related parties – Connex Sp. z o.o. | | 560 | 560 |
| Total financial costs due to impairment of financial assets | | 560 | 560 |

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Table No. 45

| OTHER FINANCIAL COSTS | 2011 period from 01/01/2011 to 31/06/2011 | 2010 period from 01/01/2010 to 31/12/2010 | 2010 period from 01/01/2010 to 31/06/2010 |
|---|---|---|---|
| a) other, including: | | 157 | 63 |
| - default interest | | 13 | 1 |
| - commission paid | | 144 | 62 |
| Total other financial costs | | 157 | 63 |

**NOTE NO. 28.**
**OPERATING REVENUE AND COSTS**

Information on operating revenue and costs is presented in tables 46 to 48.

Table No. 46

| COSTS PER TYPE | 2011 period from 01/01/2011 to 31/06/2011 | 2010 period from 01/01/2010 to 31/12/2010 | 2010 period from 01/01/2010 to 31/06/2010 |
|---|---|---|---|
| a) depreciation and amortisation | 857 | 1,736 | 897 |
| b) consumption of materials and energy | 684 | 1,625 | 839 |
| c) contracted services | 27,682 | 51,946 | 26,267 |
| d) taxes and fees | 9 | 13 | 6 |
| e) payroll | 7,824 | 17,638 | 9,095 |
| f) social insurance and other benefits | 1,986 | 3,805 | 2,227 |
| g) other costs per type (including) | 418 | 1,786 | 892 |
| Total costs per type | 39,461 | 78,548 | 40,224 |
| Change in inventories, products and prepayments | - 178 | 138 | 207 |
| Costs of sale (negative value) | - 14,178 | -32,454 | -16,819 |
| Costs of general administration (negative value) | - 3,316 | -6,743 | -3,399 |
| Costs of products sold (negative value) | - 21,789 | -39,488 | -19,799 |

Table No. 47

| OTHER OPERATING REVENUE | 2011 period from 01/01/2011 to 31/06/2011 | 2010 period from 01/01/2010 to 31/12/2010 | 2010 period from 01/01/2010 to 31/06/2010 |
|---|---|---|---|
| a) profit on the disposal of non-financial fixed assets | 21 | 112 | 14 |
| - revenue from the disposal of non-financial fixed assets | 126 | 460 | 207 |
| - value of non-financial fixed assets disposed (negative value) | - 105 | -348 | -193 |
| b) reversal of provision (due to) | | 216 | |
| - disappearance of the underlying reason | | 216 | |
| c) other, including: | 67 | 119 | 41 |
| - liabilities written-off | | 1 | |
| - other | 67 | 118 | 41 |
| Total other operating revenue | 88 | 447 | 55 |

Table No. 48

| OTHER OPERATING costs | 2011 period from 01/01/2011 to 31/06/2011 | 2010 period from 01/01/2010 to 31/12/2010 | 2010 period from 01/01/2010 to 31/06/2010 |
|---|---|---|---|
| a) set-up of provisions (due to) | 116 | 2,060 | 180 |
| - impairment of receivables | 116 | 1,242 | 180 |

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

| | | | |
|---|---|---|---|
| - impairment of inventories | | | |
| - provisions for costs | | 647 | |
| - provisions for share value | | | |
| - provision for holiday and retirement benefits | | 171 | |
| b) other, including: | 48 | 225 | 30 |
| - donations | 1 | 22 | 9 |
| - receivables written-off | | 20 | 9 |
| - court fees | | 11 | |
| - liquidation of tangible fixed assets | 36 | 1 | |
| - shortages and damage | | 117 | 2 |
| - penalties and fines | | 3 | 1 |
| - other | 11 | 50 | 9 |
| Total other operating costs | 165 | 2,285 | 210 |

## NOTE NO. 29.
## DISCONTINUED OPERATIONS

There were no discontinued operations in the Company.

## NOTE NO. 30.
## EARNINGS PER SHARE

Information on earnings per share is presented in table 49.

Table No. 49

| | 2011 period from 01/01/2011 to 31/06/2011 | 2010 period from 01/01/2010 to 31/12/2010 | 2010 period from 01/01/2010 to 31/06/2010 |
|---|---|---|---|
| Net profit (in PLN) | 5,325,705.03 | 5,650,775.48 | 1,844,499.68 |
| Average weighted number of ordinary shares (items) | 6,309,623 | 6,309,623 | 6,309,623 |
| Earnings per ordinary share (in PLN) | 0.84 | 0.90 | 0.29 |
| Average weighted diluted number of ordinary shares | 6,309,623 | 6,309,623 | 6,309,623 |
| Diluted earnings per ordinary share (in PLN) | 0.84 | 0.90 | 0.29 |

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

## NOTE NO. 31.
## BOOK VALUE OF ONE SHARE

Information on book value of one share is presented in table 50.

Table No. 50

| | 2011 period from 01/01/2011 to 31/06/2011 | 2010 period from 01/01/2010 to 31/12/2010 | 2010 period from 01/01/2010 to 31/06/2010 |
|---|---|---|---|
| Book value (in PLN) | 53,329,549.64 | 53,051,543.01 | 49,245,267.21 |
| Number of ordinary shares (items) less 15,377 treasury/redeemed shares | 6,309,623 | 6,309,623 | 6,309,623 |
| Book value per one share (in PLN) | 8.45 | 8.41 | 7.80 |
| Diluted number of shares | 6,309,623 | 6,309,623 | 6,309,623 |
| Diluted book value per one share (in PLN) | 8.45 | 8.41 | 7.80 |

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

## NOTE NO. 32.
## INFORMATION ON RELATED ENTITIES

Information on related parties is presented in tables 51 and 52.

Table No. 51

| Transactions between Tell S.A. and related parties 30/06/2010 | Euro-phone Sp. z o.o. Subsidiary | PTI Sp. z o.o. Subsidiary |
|---|---|---|
| Trade receivables | 53 | 487 |
| Amounts due from loans granted | 7,721 | 2,213 |
| Revenue from the sale of goods | 21 | 3 |
| Revenue from the sale of services | 91 | 417 |
| Loan interest income | 244 | 44 |

Table No. 52

| Transactions between Tell S.A. and related parties 30/06/2011 | Euro-phone Sp. z .o. Subsidiary | PTI Sp. z .o. Subsidiary |
|---|---|---|
| Trade receivables | | 1 |
| Amounts due from loans granted | 7,257 | 4,299 |
| Revenue from the sale of goods | 19 | 48 |
| Revenue from the sale of services | 73 | 89 |
| Loan interest income | 200 | 125 |

## NOTE NO. 33.
## REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Information on the remuneration of the Supervisory Board and Management Board is presented in table 53.

Table No. 53

| | 2011 period from 01/01/2011 to 31/06/2011 | 2010 period from 01/01/2010 to 31/12/2010 | 2010 period from 01/01/2010 to 31/06/2010 |
|---|---|---|---|
| Members of the Supervisory Board | 36 | 76 | 38 |
| Members of the Management Board | 835 | 1,388 | 493 |
| total | 871 | 1,464 | 531 |

## NOTE NO. 34.
## EMPLOYMENT STRUCTURE

The average employment in the Company as at the end of the first half of 2011 amounted to 471 people. The employment level as at the end of the comparable period as broken down into groups is presented in table 54.

Table No. 54

| | 2011 period from 01/01/2011 to 31/06/2011 | 2010 period from 01/01/2010 to 31/12/2010 | 2010 period from 01/01/2010 to 31/06/2010 |
|---|---|---|---|
| Management Board | 3 | 3 | 3 |
| Managers | 109 | 127 | 129 |
| White collar | 359 | 372 | 431 |
| Blue collar | 3 | 3 | 3 |

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

## NOTE NO. 35.
## EVENTS AFTER THE BALANCE SHEET DATE

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

## NOTE NO. 36.
## GOALS AND PRINCIPLES OF CREDIT RISK MANAGEMENT

The main financial instruments used by the company are bank loans, cash and short-term deposits. The main objective of these instruments is to provide funds to finance the Company's operations. The Company also has other financial instruments, such as trade receivables and liabilities, that arise directly in the course of its business.
The main types of risks related to the Company's financial instruments are the interest rate risk, liquidity risk and credit risk. The Management Board validates and agrees the management policies related to each type of risk – these policies were briefly discussed below.
Interest rate risk
The Company's exposure to interest rate risk fluctuations concerns mainly long-term financial liabilities as well as loans granted.
The Company uses only variable interest loans based on 1M WIBOR plus bank margin.

Table No. 55

| in kPLN | Increase/decrease by percentage points | Impact on the accounting result |
|---|---|---|
| Balance sheet date 30/06/2010 | | |
| PLN | + 1% | 120 |
| PLN | - 1% | -120 |
| Year ended on 30/06/2011 | | |
| PLN | + 1% | 67 |
| PLN | - 1% | - 67 |

Credit risk
The Company enters into transactions only with renowned entities with a good credit standing. All clients wishing to take advantage of the merchant's credit are subject to a pre-verification procedure. Additionally, owing to an on-going monitoring of the receivables, the exposure to bad receivables risk is insignificant.
With regard to other financial assets, such as cash and cash equivalents, available-for-sale financial assets, the credit risk arises in relation with the contractor's inability to make the payment, and the maximum exposure to this risk is equal to the carrying amount of such instruments.

Table No. 56 Maximum exposure to credit risk:

| | Carrying amount | Risk exposure value |
|---|---|---|
| 30/06/2010 | | |
| Shares and participations | 24,349 | 24,349 |
| Trade receivables | 34,415 | 34,415 |
| Loans granted | 10,085 | 10,085 |
| Cash and cash equivalents | 268 | 268 |
| 30/06/2011 | | |
| Shares and participations | 25,636 | 25,636 |
| Trade receivables | 32,691 | 32,691 |
| Loans granted | 11,556 | 11,556 |
| Cash and cash equivalents | 258 | 258 |

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

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Table No. 57

| | Sight | > 3 months | From 3 to 12 months | From 1 to 5 years | > 5 years |
|---|---|---|---|---|---|
| 30/06/2010 | | | | | |
| Interest-bearing loans and advances | 5,216 | 428 | 1,283 | 4,989 | |
| Convertible preferential shares | | | | | |
| Trade liabilities and other liabilities | 47,466 | | | | |
| Derivatives | | | | | |
| 30/06/2011 | | | | | |
| Interest-bearing loans and advances | 1,699 | 428 | 1,283 | 3,279 | |
| Convertible preferential shares | | | | | |
| Trade liabilities and other liabilities | 41,126 | | | | |
| Derivatives | | | | | |

## NOTE NO. 37.
## INFORMATION ABOUT FINANCIAL INSTRUMENTS

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

Table No. 58

| FINANCIAL ASSETS | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | 30/06/2011 | 30/06/2010 | 30/06/2011 | 30/06/2010 |
| a) Trade receivables and other receivables | 32,739 | 34,677 | 32,739 | 34,677 |
| - trade receivables | 32,691 | 34,415 | 32,691 | 34,415 |
| b) Other financial assets (short-term), including | 11,556 | 10,085 | 11,556 | 10,085 |
| - short-term loans | 11,556 | 10,082 | 11,556 | 10,082 |
| c) Cash and cash equivalents, including | 258 | 268 | 258 | 268 |
| - in hand | 153 | 255 | 153 | 255 |
| - at bank | 105 | 14 | 105 | 14 |

Table No. 59

| FINANCIAL LIABILITIES | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | 30/06/2011 | 30/06/2010 | 30/06/2011 | 30/06/2010 |
| a) Interest-bearing bank loans and advances, including | 6,689 | 11,915 | 6,689 | 11,915 |
| - overdraft facilities | 1,699 | 5,216 | 1,699 | 5,216 |
| b) Trade liabilities and other liabilities, including | 41,126 | 47,466 | 41,126 | 47,466 |
| - trade liabilities | 37,716 | 44,643 | 37,716 | 44,643 |

## NOTE NO. 38.
## CAPITAL MANAGEMENT

The main objective of the Company's capital management is to maintain a good credit rating and safe capital ratios, that would support the operating activities of the Company and increase its value for shareholders.
The Company manages the capital structure and after economic changes improves it as necessary. In order to maintain or adjust the capital structure the Company may change the payment of dividends to shareholders, return the capital to the shareholders or issue new shares. As at the balance sheet date, there were no changes as to the objectives, principles and processes in force in this area.

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

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Table No. 60

| DETAILS | 30/06/2011 | 31/12/2010 | 30/06/2010 |
|---|---|---|---|
| Interest-bearing loans and advances | 6,689 | 5,845 | 11,915 |
| Trade liabilities and other liabilities | 41,126 | 51,686 | 47,466 |
| Less cash and cash equivalents | 258 | 3,697 | 268 |
| **Net debt** | **47,557** | **53,834** | **59,113** |
| | | | |
| Convertible preferential shares | | | |
| Shareholder's equity | 53,330 | 53,052 | 49,245 |
| Reserve capitals | | | |
| **Total equity** | **53,330** | **53,052** | **49,245** |
| **Capital and net debt** | **100,887** | **106,886** | **108,358** |
| Leverage ratio | 47% | 50% | 55% |

## NOTE NO. 39.
## CASH FLOW STATEMENT

Below are explanations to the cash flow statement.

Table No. 61

| DETAILS | 30/06/2011 | 30/12/2010 | 30/06/2010 |
|---|---|---|---|
| **Cash in the balance sheet** | 258 | 3,697 | 268 |
| **Total cash and cash equivalents disclosed on the cash flow statement** | 258 | 3,697 | 268 |
| | | | |
| DETAILS | 30/06/2011 | 30/12/2010 | 30/06/2010 |
| **Amortisation and depreciation:** | 857 | 1,736 | 897 |
| amortisation of intangible assets | 155 | 196 | 104 |
| depreciation of tangible assets | 702 | 1,540 | 794 |
| | | | |
| **Interest and share in profits (dividends) comprise:** | - 3,299 | -2,681 | -1,149 |
| interest paid on loans | 299 | 692 | 346 |
| interest income from loans | - 48 | -342 | -50 |
| interest income from deposits | - 47 | -50 | -49 |
| interest accrued on loans granted | - 277 | -320 | -254 |
| dividend income | - 3,225 | -2,661 | -1,142 |
| | | | |
| **Profit (loss) from investing activities results from:** | 21 | 112 | -14 |
| revenue from the sale of tangible fixed assets | - 126 | -460 | -207 |
| net value of tangible fixed assets sold | 105 | 348 | 193 |
| | | | |
| **Change in provisions results from:** | - 340 | 72 | -439 |
| balance sheet change in provisions for liabilities | - 340 | -99 | -439 |
| balance sheet change in provisions for employee benefits | | 171 | |
| | | | |
| **Change in inventories results from**: | 4,372 | 3,464 | 1,956 |
| balance sheet change in inventories | 4,372 | 3,464 | 1,956 |
| | | | |
| **Change in receivables results from:** | 7,798 | -1,405 | 4,459 |
| change in short-term receivables resulting from the balance sheet | 7,801 | -1,382 | 4,419 |

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

| | | | |
|---|---|---|---|
| change in long-term receivables resulting from the balance sheet | - 3 | -23 | 7 |
| | | | |
| **Change in short-term liabilities, save financial liabilities, results from:** | - 10,363 | -1,547 | -5,512 |
| change in short-term liabilities resulting from the balance sheet | - 10,560 | -1,669 | -5,889 |
| adjustment of income tax liabilities | 197 | 122 | 378 |
| | | | |
| The "Other adjustments" item comprises: | | 560 | 560 |
| Revaluation of the value of short-term financial assets - loans | | 560 | 560 |

## NOTE NO. 40.
## LITIGATIONS IN COURT

Tell S.A. is a party 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 Company. Similarly, the total value of, respectively, liabilities and receivables litigated in court does not constitute at least 10 % of the equity of the issuer.

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

## NOTE NO. 41.
## CHANGES IN THE BUSINESS ENVIRONMENT AND THE ECONOMIC SITUATION THAT INFLUENCE THE FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES OF THE COMPANY, IRRESPECTIVE OF THE FACT WHETHER OR NOT SUCH ASSETS OR LIABILITIES ARE RECOGNISED AT FAIR VALUE OR AT AMORTISED COST

In the first half of 2011 there was no such a situation.

## NOTE NO. 42.
## NON-REPAID LOANS OR DEFAULTING LOAN AGREEMENTS WITH REGARD TO WHICH NO REMEDYING ACTIONS HAVE BEEN UNDERTAKEN UNTIL THE END OF THE REPORTING PERIOD

In the first half of 2011 there was no such a situation.

## NOTE NO. 43.
## MOVEMENTS BETWEEN PARTICULAR LEVELS OF THE FAIR VALUE HIERARCHY THAT IS APPLIED TO THE PURPOSES OF MEASURING THE FAIR VALUE OF FINANCIAL INSTRUMENTS

In the first half of 2011 there was no such a situation.

## NOTE NO. 44.
## CHANGE IN THE CLASSIFICATION OF FINANCIAL INSTRUMENTS IN RESULT OF A CHANGE IN THE PURPOSE OF USE OF SUCH ASSETS

In the first half of 2011 there was no such a situation.

## NOTE NO. 45.
## DESCRIPTION OF NON TYPICAL FACTORS AND EVENTS

In the first half of 2011 there were no non-typical events.

The separate interim financial statements of the Company were approved by the Management Board of the Company on 3 August 2011 and signed by the Management Board:

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